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FBIS-USR-94-098

8 September 1994

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***CENTRAL EURASIA***

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# FBIS Report: Central Eurasia

FBIS-USR-94-098

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8 September 1994

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**General Decline in CIS Production in First Half of 1994**

944Q0568A Moscow DELOVOY MIR in Russian  
15-21 Aug 94 pp 14-16

[Report based on Statistical data of the CIS Statistical Committee: "Countries of the Commonwealth of Independent States in the First Half of 1994"]

[Text] In the first half of the current year, most of the Commonwealth countries experienced a significant decline in production. Growth of prices leads the rate of growth of monetary income of the population.

[Designations in all following tables: - phenomenon is absent; ...data are absent (not presented); \*estimate, computation]

	1st half of 1994 in % of 1st half of 1993						
	gross national product (in comparable prices)	overall volume of industrial production (in comparable prices)	price index of producers of industrial products	monetary income of the population	monetary expenditures of the population for purchase of goods and payment of services	consumer price index,* times	retail trade turnover of officially registered enterprises (in comparable prices)
Azerbaijan	77.5	74.7	730	519.5	558.0	12.3(1)	46.1
Armenia	98.8	104.7	5197	2730.7	3349.6	205.1	47.7
Belorussia	69	68.5	3344	1817.7	1783.6	28.5	63.1
Georgia	-	50.5	-	-	-	-	-
Kazakhstan	73.1	70.6	1846	1243.2	1194.2	23.7	61.3
Kirghizia	72.2	68.2	612	366.8	438.3	8.7	75.8
Moldavia	-	70	1408	589.5	648.9	17.2	40.7 *
Russia	83	74.2	661	731.1	676.2	6.8	97.0
Tajikistan	88	80	507	258.4	227.2	9.61	55.2
Turkmenia	-	66.8	872	1393.7	2428	35.2 (1)	69.2
Uzbekistan	92.2	96	1087	1490.8	1717.1	20.1	107. 2
Ukraine	73.5	64	4212	-	-	-	58.3

(1) Summary index of retail prices and rates on goods and paid services.

On the average for the Commonwealth, the gross national product declined by 20 percent as compared with the first half of last year, and the net material product—by 23 percent.

**The volume of mutual trade by Commonwealth countries**, according to the estimates of the CIS Statkomitet [CIS Statistical Committee] in the first half of the current year comprised around 36 trillion rubles (R). The primary trade partners of the Commonwealth states in export are Russia and Ukraine (over 70 percent), and in import—Belorussia, Kazakhstan, Russia and Ukraine (over 80 percent).

In January-June the overall volume of export of the Commonwealth states with countries of the far abroad was estimated at \$25 billion, which is \$2 billion, or 9 percent, more than for the corresponding period last year. Import for the indicated period increased by \$0.9 billion, or by 6 percent, and comprised \$16 billion.

In the first half of 1994 the financial situation remained unstable in all the Commonwealth countries. The increase in the state budget deficit of the countries continued.

The incomes of state budgets were formulated primarily from the value-added tax, the tax on profits and the excise taxes. Their relative share in the income portion of the budgets varied from 53 percent in Turkmenia to

85 percent in Azerbaijan. The value-added tax in the overall sum of income comprised 24 percent in Azerbaijan, 29 percent in Belorussia, 20 percent in Russia (in January-May), 28 percent in Turkmenia, 26 percent in Uzbekistan, and 25 percent in Ukraine. In the overall sum of budget revenues, the tax on profits reached 38 percent in Azerbaijan, 29 percent in Belorussia, 30 percent in Russia, 23 percent in Turkmenia, 27 percent in Uzbekistan, and 26 percent in Ukraine. The relative share of excise taxes in the overall sum of income comprised 22 percent in Azerbaijan, 11 percent in Belorussia, 3.5 percent in Russia, 2 percent in Turkmenia, 15 percent in Uzbekistan, and 3 percent in Ukraine. Other sources of income were the income taxes from the population, fees and non-tax revenues, revenues from foreign economic activity, and so forth.

**The instability of the financial status of numerous enterprises and organizations** is associated primarily with the continuing decline in production, inflationary growth of expenditures and disruption of economic ties. Although the profits received by them in January-May of 1994 increased as compared with the corresponding period last year, nevertheless under conditions of curtailment of production volumes and growth of expenditures for production of products (work, services), the increase in

profits in the nominal expression stemmed primarily from the growth of wholesale prices, and not from the reduction of expenditures.

In the elapsed period, the number of enterprises operating at a loss declined somewhat. However, their number still remains significant (January-May 1994):

	Number of enterprises and organizations operating at a loss	
	units	in % of total number
Azerbaijan	1094	20.1
including industry	98	10.8
Armenia (January-April)	186	23.0
including industry	79	21.0
Belorussia	924	11.2
including industry	67	4.6
Georgia	-	
Kazakhstan	1351	22.3
including industry	188	13.3
Kirghizia	592	36.1
including industry	102	23.4
Moldavia	-	
Russia	27615	31.3
including in industry	4592	21.9
Tajikistan	-	
Turkmenia	145	11.5
including industry	33	10.0
Uzbekistan	845	9.3
including industry	39	2.0
Ukraine	8903	21.2
including industry	662	7.9

### Industry

The change in the **overall volume of industrial production and producer prices** on these products in the Commonwealth states as compared with the first half of 1993 was (in percent):

	Overall volume of production (in comparable prices)	Producer prices	Reference: 1st half of 1993 as compared with 1st half of 1992	
			overall volume of production	producer prices
Azerbaijan	74.7	730	89.6	1366
Armenia	104.7	5197	48.6	684
Belorussia	68.5	3344	83.7	1257
Georgia	50.5	-	71.0	-
Kazakhstan	70.6	1846	89.3	1607
Kirghizia	68.2	612	75.4	791
Moldavia	70	1408	100.9	817
Russia	74.2	661	82.0	940
Tajikistan	80	507	69.5	1044
Turkmenia	66.8	872	116.9	1553
Uzbekistan	96	1087	98.1	995
Ukraine	64	4212	94.9	-

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On the average for the Commonwealth, industrial production declined in the first half of the year by 27.6 percent as compared with the corresponding period for 1993, and producer prices on industrial production increased by 9.3 times. In June the total output of industrial production increased by 4 percent as compared with May of this year, and producer prices increased by 13 percent.

Since the beginning of the year (as compared with December of 1993), the production of industrial products in June declined throughout the Commonwealth by 22 percent, including in Kazakhstan and Russia—by 19

percent, Ukraine and Moldavia—by 23-24 percent, Uzbekistan and Azerbaijan—by 26-27 percent, Belarusia—by 36 percent, Tajikistan—by 40 percent, Armenia—by 43 percent, Kirghizia—by 54 percent, Turkmenia—by 60 percent, and Georgia—by 68 percent.

The output of electrical power declined during the 6-month period as compared with the corresponding period last year in Belarusia by 11 percent, in Turkmenia by 14 percent, and in Kazakhstan by 15 percent.

Extraction of basic types of fuel in January-June of 1994 in a number of the fuel-extracting regions was as follows:

	Oil, including gas condensate		Gas		Coal	
	million tonnes	in % of January-June 1993	billion cubic meters	in % of January-June 1993	million tonnes	in % of January-June 1993
Kazakhstan	9.8	84	2.3	63	54.3	92
Russia	150	86	312	98	142	89
Turkmenia	2.0	91	20.6	55	-	-
Uzbekistan	2.6	137	24.6	108	1.9	121

The decline in extraction and deliveries of oil reduced the output of basic oil processing products. As compared with the first half of last year, in Russia the production of automobile gasoline declined by 14 percent, diesel fuel—by 16 percent, and fuel oil—by 11 percent; in Belarusia the figures were respectively 9 percent, 19 percent and 40 percent, and in Kazakhstan they were 37 percent, 34 percent and 23 percent.

Production of finished rolled ferrous metals declined as compared with the corresponding period last year in Russia by 23 percent, and in Kazakhstan by 35 percent. The output of steel pipes in Russia declined by half, and in Azerbaijan—by 85 percent. At the same time, in Russia in June of this year as compared with the previous month there was an increase in the average daily production of basic types of ferrous metallurgy products.

In machine building, the output of metal-cutting machine tools declined in the 6-month period in Belarusia by 43 percent, and in Russia—by more than half, 63 percent less forge-press equipment was produced in Russia. The production of automobiles in Belarusia declined by 38 percent, and in Russia the output of trucks declined by 66 percent, and of passenger cars—by

23 percent. The production of tractors declined in Belarusia by 49 percent, in Moldavia and Kazakhstan—by 75 percent, in Russia by 80 percent, and in Uzbekistan—by 86 percent.

In the production of chemical products, the output of mineral fertilizers declined in Belarusia by 15 percent, in Russia—by 29 percent, in Uzbekistan by 42 percent, and in Kazakhstan—by two thirds. In Russia the production of synthetic resins and plastics declined by 31 percent, of soda ash—by 35 percent, of tires—by 47 percent, and of chemical fibers and filaments—by 51 percent; in Belarusia the output of synthetic resins and plastics declined by 28 percent, of chemical fibers and filaments—by 32 percent, and of tires—by 33 percent.

In most of the Commonwealth states there was a decline in the production of building materials. Thus, the output of cement declined in Russia by 30 percent, in Belarusia and Kirghizia—by 37-38 percent, and in Kazakhstan—by 53 percent.

The change in production of consumer goods in the Commonwealth countries is evidenced by the following data (first half of 1994 in percent of the first half of 1993):

Consumer goods	food products	alcoholic beverages	non-food items	Including	
				of these goods	
				in light industry	of cultural-domestic and household application
Azerbaijan	83	74	103	87	97
Armenia	102	127	136	93	108
Belorussia	77	83	109	69	64
Georgia	55	60	73	41	19
					96

(Continued)	Consumer goods	Including				
		food products	alcoholic beverages	non-food items	of these, goods	
					in light industry	of cultural and domestic and household application
Kazakhstan	76	76	95	70	71	69
Kirghizia	58	58	61	58	57	61
Moldavia	62	64	78	53	42	61
Russia	72	81	65	66	65	68
Tajikistan	61	66	77	56	52	68
Turkmenia	98	92	116	99	104	80
Uzbekistan	104	111	80	106	108	102
Ukraine (January-May)	60	71	45	51	42	58

On the average for the Commonwealth, production of consumer goods declined during the first half of the year by 26 percent, including for food products—by 19 percent and for non-food items—by 32 percent.

There was a decline in the output of basic necessity food products. The industrial production of meat in Russia and Kazakhstan was 23-29 percent lower than in January-June of 1993. In Turkmenia it was 39 percent lower, in Moldavia and Azerbaijan—47-49 percent lower. Production of whole milk products declined in Russia and Kazakhstan by 18-19 percent, in Azerbaijan by 22 percent,

in Moldavia by 47 percent, and in Kirghizia by more than half. The output of flour declined in Belorussia, Moldavia and Russia by 12-15 percent, in Kirghizia—by 28 percent, in Azerbaijan—by 42 percent; of groats—in Belorussia by 19 percent and in Russia by 29 percent.

In most of the countries there was a decline in the production of basic types of products in light industry. Data on changes in their production in January-June 1994 as compared with the corresponding period last year are as follows (in percent):

	Fabrics-total	Tricot goods	Stocking-hosiery goods	shoes
Azerbaijan	80	99	99.9	84
Armenia	27	48	81	63
Belorussia	47	52	50	70
Georgia	20	42	9	22
Kazakhstan	64	68	61	58
Kirghizia	78	37	59	43
Moldavia	10	24	42	48
Russia	67	65	68	46
Tajikistan	80	84	73	29
Turkmenia	78	84	101	67
Uzbekistan	98	107	106	96
Ukraine (January-May)	49	48	59	31

There was a significant reduction in production of most types of major household appliances in the first half of the year. Thus, the output of washing machines in Moldavia declined by 38 percent, in Russia—by 48 percent, in Kazakhstan—by 67 percent, and in Kirghizia—by 73 percent; of radios—in Belorussia by 32

percent, in Russia—by 63 percent; of televisions—in Moldavia by 23 percent, in Belorussia—by 26 percent, in Russia—by 36 percent; tape recorders—in Kazakhstan—by 24 percent, in Kirghizia—by 61 percent, in Belorussia—by 62 percent, and in Russia—by 68 percent.

**Agriculture**

In agriculture, the sowing of spring crops has been completed and the harvest has begun. In the current year in many of the Commonwealth states, agricultural enterprises have expanded the areas of spring grain, leguminous crops and sunflowers as compared with the preceding year, and in some countries—vegetable

crops. At the same time, in the primary regions of cultivation the areas planted to sugar beets (commercial), potatoes, and cotton have been reduced. By Commonwealth states, the sown areas of spring crops for the 1994 harvest in agricultural enterprises are presented below (for the end of June, thousand hectares):

	1994	1994 in % of 1993	1994	1994 in % of 1993	1994	1994 in % of 1993	
	<b>Grain and leguminous crops (except corn)</b>			<b>potatoes</b>		<b>vegetables</b>	
Azerbaijan	8.4	97	6.0	79	14.1	99.2	
Armenia (1)	82	108	24	126	12.3	300	
Belorussia	1571	108	127	64	14.3	94	
Kazakhstan	18242	-	50	-	22	-	
Kirghizia (all categories of farms)	352	128	22	83	15.9	107	
Moldavia	133	167	3.8	90	28	97	
Russia	39300	104	422	61	201	86	
Tajikistan	109	93	4.9	188	12.6	138	
Turkmenia	47	125	1.4	124	16.1	115	
Uzbekistan	339	137	19	96	52	94	
Ukraine	7098	132	166	58	183	79	
	<b>sugar beets (commercial)</b>		<b>sunflowers</b>		<b>cotton</b>		
Azerbaijan	-	-	-	-	215	97	
Belorussia	57	105	-	-	-	-	
Kazakhstan	52	-	264	-	107	-	
Kirghizia (all categories of farms)	10	83	5.6	141	26	130	
Moldavia	76	103	108	113	-	-	
Russia	1046	84	2677	108	-	-	
Tajikistan	-	-	-	-	283	106	
Turkmenia	-	-	-	-	559	98	
Uzbekistan	-	-	-	-	1524	91	
Ukraine	1419	96	1587	105	-	-	

(1) Here and henceforth peasant (individual farmer) farms, where over 90 percent of the total volume of agricultural production is concentrated.

The curtailment of production and introduction of mineral and organic fertilizers into the soil, the reduction in sowing of winter grain crops for harvest in the current year (on the average for the Commonwealth—by 3.3 million hectares, or by 11 percent; in Russia and Kazakhstan—by 20-22 percent), as well as the shortage of material-technical resources will have a negative effect on the crop yields and the gross yield of grain. In connection with the reduction of areas planted to cotton, a reduction in cotton production in the primary regions where it is raised is envisioned (Uzbekistan, Turkmenia, Azerbaijan).

In recent years, the relative share of production of potatoes at subsidiary plots and in peasant (individual) farms has increased. In 1993 it comprised over 80

percent on the average for the Commonwealth (in Russia—84 percent, Belorussia—75 percent, and Ukraine—86 percent). In the current year the areas of growing potatoes have not been reduced in the individual sector and on individually owned farms, and we may expect a certain improvement in their production as compared with last year.

The southern regions of the Commonwealth have begun harvesting grain crops, and fodder procurement is continuing. At the same time, in many of the Commonwealth states the agricultural equipment is not fully ready for the harvest, and fuel reserves are below the level for last year.

As of 11 July, grain and leguminous crops on the whole throughout the Commonwealth (without consideration

of the harvest in Russia) were mowed down over an area of around 3 million hectares (last year on 12 July 2.1 million hectares had been mowed down). The average grain yield per hectare of milled area comprised 18.4 quintals (in 1993 it was 21.7 quintals).

In the agricultural enterprises as compared with 1 July 1993, the herd size of cattle has declined on the average for the Commonwealth by 7.1 million head (10 percent), of cows—by 1.6 million (7 percent), pigs—by 4.8 million (14 percent), sheep and goats—by 21.1 million head (22 percent).

In the first half of the current year, agricultural enterprises have produced 4,794,000 tonnes of meat (in live weight), 23 million tonnes of milk and 18.8 billion eggs, which is less than in the first half of 1993 by 989,000

tonnes for meat (17 percent), 3,474,000 tonnes for milk (13 percent), and 2,236 million eggs (11 percent). Thus, the daily decline in production of meat in the first half of the current year as compared with the analogous period last year comprised approximately 5,500 tonnes (in live weight), of milk—19,000 tonnes, and of eggs—over 12 million.

According to the estimates, the anticipated increase in production of agricultural products among the population and at peasant (individually owned) farms will somewhat reduce the rates of decline in production volumes as compared with the previous year. However, the overall volume of production of livestock products will nevertheless not reach last year's level. The change in production of basic types of livestock products in the agricultural enterprises of the Commonwealth countries in the first half of the current year comprised:

	Meat (in live weight)		Milk		Eggs			
	1st half of 1994		June 1994 in % to June 1993	1st half of 1994		June 1994 in % to June 1993	1st half of 1994	
	thousand tonnes	in % of 1993		thousand tonnes	in % of 1993		million units	in % of 1993
Azerbaijan	21	85	76	66	70	80	28	40
Armenia	1	60	33	2	96	233	2	48
Belorussia	438	88	110	1855	99.8	99.4	973	93
Georgia	-	-	-	-	-	-	-	-
Kazakhstan	373	78	74	1072	79	75	833	81
Kirkhizia	32	80	62	104	71	71	34	37
Moldavia	41	61	85	223	85	86	83	54
Russia	2680	86	87	13013	83	83	13779	94
Tajikistan	15	86	97	63	103	96	38	54
Turkmenia	35	75	58	102	93	98	72	84
Uzbekistan	107	89	81	455	97	100.3	383	92
Ukraine	1050	77	96	6000	94	88	2600	76

The milk productivity of cows is declining. The greatest reduction in the average milk yield per cow as compared with the first half of 1993 is noted in the farms of Kazakhstan (by 127 kg, or 12 percent), Azerbaijan (by 120 kg, or 19 percent), and Russia (by 114 kg, or 10 percent).

The volume of sale of livestock products to procurement organizations in the first half of the current year as compared with the analogous period of 1993 (thousand tonnes) was:

	Livestock and poultry (in live weight)		Milk		Eggs, million	
	1994	1994 in % of 1993	1994	1994 in % of 1993	1994	1994 in % of 1993
Azerbaijan	14	70	54	65	19	36
Armenia	0.5	160	3	50	1	40
Belorussia	403	82	1639	92	792	88
Georgia	-	-	-	-	-	-
Kazakhstan	214	59	753	70	600	76
Kirkhizia	9	44	49	50	17	23
Moldavia	19	36	141	74	47	38
Russia	2162	76	9388	76	11085	92

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	Livestock and poultry (in live weight)		Milk		Eggs, million	
	1994	1994 in % of 1993	1994	1994 in % of 1993	1994	1994 in % of 1993
Tajikistan	8	93	46	102	29	57
Turkmenia	23	61	92	90	37	71
Uzbekistan	98	86	363	93	328	96
Ukraine	850	66	4270	87	1460	60

On the whole throughout the Commonwealth, the volume of sale to procurement organizations by all categories of farms in the first half of the current year as compared with the first half of 1993 declined by 27 percent for livestock and poultry, by 20 percent for milk, and by 14 percent for eggs.

#### Construction

The curtailment of investment activity is continuing. In the first half of 1994, over R45.5 trillion in capital investments (in current prices) were assimilated. This, according to the estimate, comprised 70 percent of the amount for the corresponding period last year. The relative share of construction-installation work in the overall volume of capital investments increased from 62 percent in the first half of 1993 to 69 percent in the first half of 1994.

The relative share of capital investments directed toward construction of facilities in the non-production sphere

increased somewhat, and comprised 43 percent as compared with 40 percent in the first half of 1993.

State enterprises and organizations in the Commonwealth countries placed into operation 6.3 million square meters of total area in the first half of the year. This included general education schools for 45,000 students, pre-school institutions for 8,800 openings, hospitals for 4,300 beds, and walk-in clinic institutions for 9,700 visits per shift. The operational introduction of residential houses as compared with the first half of last year declined by 32 percent on the whole throughout the Commonwealth countries, of general education schools—by 31 percent, of pre-school institutions—by 69 percent, of hospitals—by 12 percent, and of walk-in clinical institutions—by 13 percent. The data on operational introduction of facilities in the social sphere by state enterprises and organization by Commonwealth countries for the first half of 1994 are as follows:

	Residential houses, thousand square meters of living area	General education schools, student places	Pre-school institutions, places	Hospitals, beds	Walk-in clinical institutions, visits per shift
Azerbaijan	136.1	120	100	80	-
Armenia	33.1	-	-	-	-
Belorussia	677.7	3195	660	67	1860
Georgia	-	-	-	-	-
Kazakhstan	394.3	1049	800	170	420
Kirklizia	12.7	860	-	200	-
Moldavia	20.9	-	195	96	-
Russia	3458.5	7621	3075	969	4092
Tajikistan	37.6	2624	50	190	-
Turkmenia	134.0	3456	730	370	850
Uzbekistan	316.2	21518	1475	1574	1825
Ukraine	1062.2	4548	1670	575	645

As compared with the first half of last year, more housing was introduced only in Armenia—by 10 percent; hospitals—in Kirghizia by 3.3 times and Uzbekistan—by 3 percent; walk-in clinical institutions—in Turkmenia—by 4.3 times.

#### Transport

The volumes of cargo shipments are decreasing. In the first half of the year, according to the estimate, 2.3 billion tonnes of cargo were shipped by all types of

transport, which is 28 percent less than in the first half of 1993. This includes a reduction of 31 percent for Belorussia, 45 percent for Kazakhstan, 52 percent for Kirghizia, 33 percent for Moldavia, 26 percent for Russia and 32 percent for Ukraine. In Turkmenia the volume of shipping increased by 8 percent due to an increase in the pumping of oil and gas.

General use railroad transport carried 886.1 million tonnes of cargo, or 101 percent of the volume planned for shipment in accordance with the requests of cargo

shippers. The outlined volume of cargo shipments was fulfilled by the railroads of Belorussia, Moldavia, Russia, Tajikistan, Uzbekistan and Ukraine.

As compared with the corresponding period last year, cargo shipments by railroad transport declined, and comprised (million tonnes):

	1994			1994 in % of 1993		
	1st half of year	including		1st half of year	2nd quarter	June
		2nd quarter	June			
Azerbaijan	6.2	3.1	1.0	64	63	62
Armenia	0.3	0.2	0.08	79	67	50
Belorussia	22.8	12.1	4.0	69	87	77
Georgia	1.2	0.6	0.3	50	37	70
Kazakhstan	86.5	41.7	13.5	74	76	71
Kirghizia	0.5	0.3	0.08	49	44	44
Moldavia	2.2	1.1	0.4	74	76	75
Russia	534.4	267.1	86.6	76	75	75
Tajikistan	0.4	0.2	0.07	65	62	60
Turkmenia	8.1	4.4	1.2	88	78	80
Uzbekistan	25.3	12.1	4.1	83	84	82
Ukraine	198.2	91.5	36.2	72	78	93
Total for Commonwealth	886.1	434.3	147.6	75	76	75

As compared with the first half of 1993, the shipment of rock coal declined on the railroads of Armenia by 34 percent, Belorussia—by 6 percent, Kazakhstan—11 percent, and Russia—12 percent; Of oil and petroleum products: Azerbaijan—by 18 percent, Belorussia—27 percent, Kazakhstan—12 percent, and Russia—16 percent; Iron and manganese ore: Kazakhstan—by 31 percent, Russia—4 percent; Ferrous metals: Belorussia—by 19 percent, Kazakhstan—by 29 percent, Moldavia—13 percent, and Russia—24 percent; Ferrous metal scrap—by 31, 31, 23 and 29 percent, respectively; Chemical and mineral fertilizers: Belorussia—by 33 percent, Kazakhstan—68 percent, and Russia—37 percent; Timber shipments: Belorussia—by 20 percent, Kazakhstan—41 percent, Moldavia—44 percent,

and Russia—38 percent; Grain and milling products: Kazakhstan—by 28 percent, and Russia—by 26 percent.

During the last half-year, 85,400 of cargo cars were unloaded daily on the railroads of the Commonwealth countries. The standard of cargo handling was fulfilled only on the railroads of Armenia, Kirghizia and Russia. As compared with the first half of 1993, the volume of cargo handling declined by 27 percent.

#### Monetary income of the population

In June of the current year as compared with the corresponding period last year, the growth of the average nominal wage (including material assistance and social benefits) varied from 3 times in Tajikistan to 34 times in Armenia:

	Average nominal wage, units of national currency				in % of previous month		
	January-March	April	May	June	April	May	June
Azerbaijan, manats	5904	7092	7898	10000	105	111	127
Armenia, drams	543	978	1100	1280	173	111	116
Belorussia, accounting rubles	229591	427972	478758	583000	162	112	122
Georgia, kupon	-	-	-	-	-	-	-
Kazakhstan, tenge	396.5	807.0	1026.7	1250.0	170	127	122
Kirghizia, soms	179.7	199.3	203.2	260.0	100.3	102	128
Moldavia	73.7	82.3	84.4	119.0	99.9	103	141
Russia, rubles	159034	188107	200731	215000	105	107	107
Tajikistan, rubles	31961	35445	35904	40000	97	101	111
Turkmenia, manats	545.4	555.8	614.1	638.5	96	110	104

(Continued)	Average nominal wage, units of national currency				in % of previous month		
	January-March	April	May	June	April	May	June
Uzbekistan, sum-kupons	110195	130005	164428	300000	104	110	182
Ukraine, karbovantsy	860241	982992	1047836	1153000	105	107	110

The significant growth of wages in June of the current year in Azerbaijan (by 27 percent), Moldavia (by 41 percent) and Uzbekistan (by 82 percent) is explained primarily by the introduction in June of a new increased minimum labor wage. The average nominal labor wage in June of the current year exceeded the established minimum labor wage in Azerbaijan and Tajikistan by 5 times, in Armenia—by 7.3 times, in Belorussia by 9.7 times, in Kazakhstan—by 12.5 times, in Kirghizia, Turkmenia and Uzbekistan—by more than 4 times, in Moldavia—by 6.6 times, in Russia—by 14.7 times, and in Ukraine—by 19.2 times.

In connection with the growth of retail prices and rates on goods and services in the Commonwealth states, measures were also implemented on indexation of other fixed income of the population, including pensions and subsidies. Specifically, as of the status for June the amounts of **minimal pensions** with consideration for compensation payments as compared with January

increased in Azerbaijan, Armenia and Kazakhstan by 3.4-3.9 times, in Belorussia by 2.9 times, in Uzbekistan by 2.3 times, and in Kirghizia, Moldavia and Russia by 1.3-1.5 times. In Tajikistan, Turkmenia and Ukraine they remained at the same level as for January of the current year.

The average amount of **unemployment benefits** increased in June in Armenia to 245.8 drams, as compared with 39.6 drams in January, with an established minimum wage during this period of 176 drams. In Moldavia these figures were respectively 28.2 ley, 7.8 and 18 ley, and in Ukraine—198,000 karbovantsy, 127.5 and 60,000 karbovantsy.

In all the states except Russia, the **rates of growth in consumer prices on goods and services** (computed on the basis of change in cost of the standard consumer family food basket) led the **rates of growth of nominal monetary income of the population**.

	1st half of 1994 compared to 1st half of 1993, times				Coefficient of leading growth of prices over growth of		
	consumer prices*	average per capita monetary income	wages per 1 worker	pensions	monetary income	wages	pensions
Azerbaijan	12.3(1)	5.2	5.5	6.9	2.4	2.3	1.8
Armenia	205.1	27.3	32.4	19.2	7.5	6.3	10.7
Belorussia	28.5	18.2	16.6	14.7	1.6	1.7	1.9
Georgia	-	-	-	-	-	-	-
Kazakhstan	23.7	12.4	15.2	9.1	1.9	1.6	2.6
Kirghizia	8.7	3.7	4.3	3.5	2.4	2.0	2.5
Moldavia	17.2	5.9	7.3	5.5	2.9	2.4	3.1
Russia	6.8	7.3	5.8	6.6	0.9	1.2	1.0
Tajikistan	9.6(1)	2.6	4.7	3.6	3.7	2.0	2.7
Turkmenia	35.2(1)	13.9	12.5	14.9	2.5	2.8	2.4
Uzbekistan	20.1	14.9	15.2	16.8	1.3	1.3	1.2
Ukraine	-	-	30.9	19.6	-	-	-

(1) Summary index of retail prices and rates on goods and paid services.

#### Consumer market

In most of the Commonwealth states, high rates of growth of prices on goods are retained on the consumer market. Thus, in the elapsed half year (June 1994 in relation to December 1993), prices in retail trade in Kirghizia, Russia and Ukraine have increased by 1.5-1.7

times, in Moldavia, Uzbekistan, Turkmenia and Belorussia—by 2.3-4.1 times, in Azerbaijan and Kazakhstan—by 5.2-5.4 times, and in Armenia—by 12 times. The decline in prices on consumer goods during this period (approximately by one-third) occurred only in Tajikistan, where the prices in December of last year were higher than in the previous year by 40 times (the Commonwealth average was 28 times).

The change in prices in retail trade in January-June 1994 was as follows:

	Monthly average in the 1st quarter, %	In % of preceding month of 1994			In % of corresponding period for 1993, times	
		April	May	June	January-June	June
Azerbaijan	129	121	147	136	11.7	17.1
Armenia	132	157(1)	188 (1)	172 (1)	63.3(1)	87.8(1)
Belorussia	125	127	129	129	27.8	28.1
Georgia	-	-	-	-	-	-
Kazakhstan	132	127	130	145	22.7	26.7
Kirghizia	111	104	102	104	6.9	4.8
Moldavia (1)	127	103	104	105	16.8	12.4
Russia (1)	111	106	107	105	5.8	4.7
Tajikistan	90	97	99.8	100.2	9.5	6.3
Turkmenia	125	124	119	120	34.6	30.8
Uzbekistan	121	127	119	128	15.6	16.9
Ukraine	114	107(1)	104 (1)	103 (1)	39.1	22.5

(1) Consumer price index on goods (including urban and informal markets).

In a number of states there has been a rapprochement of rates of growth in prices on food products and non-food items: In Russia in June the growth of their level (as compared with May) comprised 6 and 5 percent, respectively, in Kirghizia—3 and 4 percent, and in Armenia—1.7 and 1.8 times. At the same time, in Azerbaijan prices on food products increased by 25 percent, and on non-food items—by almost 60 percent. In Belorussia these increases were 22 and 36 percent, respectively, in Kazakhstan—49 and 40 percent, and in Turkmenia—10 and 27 percent.

A seasonal decline in prices on urban markets began in June in a number of the countries. Thus, the level of prices on agricultural products at markets in the cities of Turkmenia were lower than in May by 7 percent; in Azerbaijan and Armenia—by 10-11 percent, in Ukraine—by 15 percent, and in Tajikistan—by 28 percent. At the same time, the reduction occurred due to plant-growing production.

In the elapsed half a year, the physical mass of goods sold through enterprises of the organized consumer market decreased in all the states of the Commonwealth (except Uzbekistan);

	Billion units of national currency, in formulated prices	In % of corresponding period for 1993			
		In actual prices		In comparable prices	
		January-June	June	January-June	June
Azerbaijan, manats	43.3	542	705	46.1	41.2
Armenia, drams	3.47	3021	3512	47.7	39.9
Belorussia, accounting rubles	11555.5	1756	1928	63.1	68.6
Georgia, kupon (1)	404.9	4191	4781	32.2	30.5
Kazakhstan, tenge	13.9	1433	1613	61.3	60.3
Kirghizia, soms	1.60	502	393	75.8	81.1
Moldavia, leys	0.66	684	505	40.7	40.8
Russia, rubles	47353.1	550	420	97.0	92.0
Tajikistan, rubles	194.3	523	393	55.2	62.0
Turkmenia, manats	3.57	2392	1725	69.2	56.1
Uzbekistan, sum-kupons (2)	5996.1	1961	2161	107.2	107.0
Ukraine, karbovantsy	100006.4	2280	1660	58.3	74.1

(1) Respectively January-March and March.

(2) Data are presented including turnover of urban markets according to data of sampling survey (for January-June - 1470.4 billion sum-kupons, including for June - 569.6 billion sum-kupons).

The provision of the organized consumer market with commodity reserves differs significantly among the individual countries. Thus, on 1 July of this year the retail trade network of Belorussia had enough commodity reserves for 35 days of trade, in Russia, Armenia and Uzbekistan—for about a month-and-a-half, in Ukraine and Azerbaijan they could ensure trade for 49-51 days, in Kazakhstan—for 56 days, in Tajikistan—for 81 days, and in Turkmenistan—for more than 3.5 months of trade.

On the whole for January-June as compared with the same period last year, the physical volume of paid services provided to the population by officially registered enterprises in the sphere of services declined in Belorussia and Azerbaijan by 10-17 percent, in Ukraine by 21 percent, in Uzbekistan—by more than one-third, in Armenia—approximately by 40 percent, and in Moldavia and Tajikistan—by almost 2 times. At the same time, the cost volumes of paid services increased in all the states of the Commonwealth due to growth of prices and rates on their individual varieties. Thus, in June as compared with May paid services maximally increased in price in Uzbekistan (by 2.1 times) and Kazakhstan (by 1.6 times), and minimally—in Turkmenia (by 1 percent), Moldavia (by 1.1 percent) and Armenia (by 4.5 percent).

Payments for housing-municipal services increased (in Azerbaijan and Kazakhstan by 2.1 and 2.2 times, respectively; in Kirghizia—by 5.5 percent, and in Belorussia by 3.1 percent); for services of passenger transport (from 2.7 percent in Moldavia, 5.1 percent in Belorussia, to 67.9 percent in Kazakhstan and 2.4 times in Uzbekistan). The cost of sanatorium-resort services increased (by 40.8 percent in Kazakhstan, by 39.4 percent in Uzbekistan), as well as public health services (by 60.3 percent in Uzbekistan, and by 44.6 percent in Moldavia). In Azerbaijan the fees increased for attending children's preschool institutions by 60.2 percent, in Kazakhstan—by 42.2 percent, in Armenia, Belorussia, Tajikistan and Turkmenia prices were retained at the level formulated in these states in May, while in Moldavia there was a 0.2 percent decline in the prices on these services.

#### Labor market

The number of unemployed persons applying to the employment services in search of work on the whole throughout the Commonwealth comprised 2.1 million persons at the end of June, and grew by 24 percent as compared with January. The ratio of supply and demand on the labor market (for the end of the month, thousand persons) was as follows:

	Number of unemployed persons seeking work		Demand for workers reported to the employment service	
	January	June	January	June
Azerbaijan	48.8	52.7	10.9	10.2
Armenia	112.9	119.5	0.9	1.7
Belorussia	72.5	88.0	13.5	24.0
Georgia	-	-	-	-
Kazakhstan	-	-	27.8	45.9
Kirghizia	8.3	17.4	3.0	3.4
Moldavia	15.8	17.3	0.9	1.0
Russia	1164.6	1516.1	282.7	374.1
Tajikistan	130.9	148.1(1)	1.3	3.5(1)
Turkmenia	-	-	-	-
Uzbekistan	30.1	34.0	26.2	39.0
Ukraine	130.0	130.4	120.1	135.0

(1) May.

(2) January-May.

In June of the current year as compared with January, all the countries in the Commonwealth (except Azerbaijan) had an increase in the number of vacancies reported by enterprises and organizations to the employment services. But only in Armenia, Belorussia, Moldavia and Russia did this lead to a reduction in the number of unemployed persons per single vacancy: In Armenia—from 132 persons in January to 69 in June; in Belorussia—from 5.4 to 3.7; in Moldavia—from 18 to 17, and in Russia—from 4.1 to 4.0. In the other countries, the rates of growth in the number of unemployed persons

applying to the employment services exceed the rates of growth of the reported demand.

Of the total number of unemployed persons who applied to the employment services in January-June, 58 percent were placed in jobs in Azerbaijan, 12.6 percent in Armenia, 45.5 percent in Belorussia, 34.5 percent in Kazakhstan, 24.6 percent in Kirghizia, 27.1 percent in Moldavia, 28.1 percent in Russia, 17.5 percent (2) in Tajikistan, 63.3 percent in Uzbekistan, and 41 percent in Ukraine.

The number of registered unemployed persons is increasing in all the Commonwealth countries (at the end of the appropriate month, thousand people):

	January	February	March	April	May	June
Azerbaijan	20.2	20.9	21.3	21.8	22.1	22.4
Armenia	104.8	107.0	107.4	110.4	111.5	112.0
Belorussia	72.5	76.7	81.8	85.6	86.9	88.0
Georgia	-	-	-	-	-	-
Kazakhstan	42.9	46.7	48.1	50.8	51.1	52.2
Kirghizia	3.1	3.6	4.1	5.1	6.1	7.1
Moldavia	15.8	17.1	17.4	17.9	17.3	17.3
Russia	893.6	989.5	1083.4	1179.9	1219.3	1259.6
Tajikistan	22.7	25.2	26.8	27.4	27.7	-
Turkmenia	-	-	-	-	-	-
Uzbekistan	14.2	17.1	18.7	19.2	19.5	19.3
Ukraine	87.7	93.1	98.6	102.6	101.6	92.9

The average monthly rates of growth in the number of unemployed persons in January-June of 1994 was higher than for the corresponding period last year in Azerbaijan (2.35 percent and 0.75 percent, respectively), Kazakhstan (4.3 percent and 1.85 percent), Kirghizia (16.1 percent and 7.0 percent), Russia (7.1 percent and 3.65 percent), and Ukraine (1.7 percent and 0.65 percent). In Moldavia the number of unemployed persons grew in January-June of 1994 by an average of 3.45 percent per month, while during the corresponding period in 1993 there was a decline in the number of unemployed.

The relative share of unemployed persons receiving unemployment benefits in June of the current year comprised: In Azerbaijan—20 percent, Armenia—18 percent, Belorussia—51.5 percent, Kazakhstan—41.8 percent, Kirghizia—61 percent, Moldavia—23.2 percent, Russia—82.7 percent, Tajikistan—21.6 percent (May), Uzbekistan—36.3 percent, and Ukraine—52.7 percent.

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#### Statistical Committee of the Commonwealth of Independent States

New publications of the CIS Statkomitet. The following statistical collections have been published: "National Accounts and Economic Balances of the Member-States of the Commonwealth of Independent States for 1990-1993"; "The Labor Market in the Commonwealth Countries" (in figures and diagrams).

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#### Suppression of Press in Republics of Former USSR Detailed

944F1319A Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Aug 94 p 3

[Article by Oleg Panfilov, expert of the Defense of Glasnost Foundation: "Persecution of Journalists and

the Press on the Territory of the Former USSR: July 1994; Killed—None, Beaten Up—12, Hounded by the State—Six"]

[Text] The published information is based on reports of the periodical press, civil rights organizations, and journalists

#### Azerbaijan

July. It was proposed that Rafiq Guseynov, chief editor of the journal YURD, which is published by the staff of the president of Azerbaijan, leave "at his own request."

1 July. The prices of printing services of the "Azerbaijan" state-run publishers are raised 90 percent. This is officially explained by the increased cost of electricity and fuel and the wages paid the employees of the publishing house.

#### Armenia

19 July. The deadline for consideration of the demands that the strike committee of the employees of the state-run Television and Radio Broadcasting Company of Armenia made in connection with the serious economic situation expires.

#### Belarus

July. To a question as to whether the programs of radios Belaruskaya maladzechnaya and Krynička would be restored, Aleksandr Lukashenko, president of Belarus, declared at one of his first news conferences that this was impossible.

#### Georgia

July. In recent weeks, the programs of Channel 1 of Russia's Ostankino Television have been transmitted for six hours a day. Financial difficulties are the reason.

**5 July.** A report of the KONTAKT Agency on a meeting held at the end of June of employees of the Television and Radio Broadcasting Corporation of Abkhazia, who opposed the return to Sukhumi of refugee journalists, has been disseminated.

**9 July.** Police impeded the work of video-camera operators during an unsanctioned demonstration in Tbilisi. Police officers beat up David Kvizhinadze, a video-camera operator of the Reuters Agency.

**14 July.** The Tbilisi Procuracy sent the Ministry of Justice a report in connection with the closure of the newspaper REZONANSI following its publication at the start of July of a cartoon featuring head of state Eduard Shevardnadze.

**18 July.** According to a report of Georgian radio, Vladimir Bolshakov, a correspondent of the newspaper KOMSOMOLETS KUBANI, was arrested in the southern zone of deployment of the peacekeeping force (Zugdidi area). He was accused of distributing the Abkhaz newspaper AIDGILAR.

**28 July.** At approximately 2000 hours, on 28 July, the vehicle of Georgiy Ratishvili, correspondent of Ostankino Television in Georgia, was stopped by police officers, who dragged the journalist out of the car and gave him a severe beating, despite the official papers that he had shown. Ratishvili was taken to the hospital with a concussion of the brain.

#### Kyrgyzstan

**12-15 July.** At a news conference in Bishkek on the results of the Alma-Ata meeting of leaders of Kazakhstan, Kyrgyzstan, and Uzbekistan, Askar Akayev, president of Kyrgyzstan, supported the actions of Islam Karimov, president of Uzbekistan, in respect to limitation of freedom of speech and the press. On 15 July, President Askar Akayev, addressing a congress of justices of Kyrgyzstan, said that the republic News Media Act had "played its part" and that it needed to be revised.

**19 July.** The time of the transmission of programs of Ostankino Television on the territory of Kyrgyzstan was cut by a factor of three. As of 19 July, the extent of the broadcasting will be six hours a day.

**20 July.** A group of journalists, leaders of political parties and movements, public figures, and civil rights advocates distributed a statement that was devoted to the recent speeches of Askar Akayev, president of Kyrgyzstan. It observes that the president, in particular, "has expressed the intention to take decisive steps in the sphere of limiting freedom of the press in the republic." But freedom of the press and freedom of speech are already the property of the citizens, the statement says, they are not the privilege, even less the monopoly, of the top official in the republic.

**22 July.** An action committee composed of the leaders of political parties and movements, journalists, and civil rights advocates announced the creation of the Independent Press Support Fund.

#### Latvia

**1 July.** The transmission of broadcasts of the "Russia" Television Company on the territory of this country is by a decision of the Council for Television of Latvia terminated as of 1 July.

#### Lithuania

**July.** As a sign of protest against political pressure on the part of the Union of Workers of Lithuania, journalists of the newspaper RABOCHIY LITVY resigned en masse.

**1 July.** The newspaper of Lithuania's communists, TIYESA (The Truth), has ceased to exist. The newspaper DIYENA (Day) will be published as of 1 July on the basis of the facilities of the former, and the commercial structure will assume the expenses and will undertake to ensure that the journalists not engage in politics.

#### Moldova

**18 July.** Employees of the independent Asket Cable Television Studio (Tiraspol) appealed to inhabitants of the city for support for journalists in connection with the pressure that is being exerted on the television studio by the authorities of the Dniester Moldavian Republic. The president of the DMR has brought suit in the Supreme Court against the Asket Television Studio and Mikhail Bergman, military commandant of Tiraspol, concerning the defense of his honor and dignity.

**26 July.** The transmission of broadcasts of the Russian Radio Mayak were terminated. Officially this is explained by the lack of funds of the Ostankino Television Company, which pays for the relays to the territory of Moldova.

#### Russia

**July.** The Moscow Oblast Court of Arbitration settled a conflict between the administration of Lyuberetskiy Rayon (Moscow Oblast) and the newspaper LYUBERETSKAYA PRAVDA in favor of the authorities. In February 1994, the mayor of Lyuberets had adopted the decision to create the Editorial Office of the Newspaper LYUBERETSKAYA PRAVDA Municipal Enterprise, dismissing the employees of the old editorial office.

**4 July.** Valeriy Malyshov, deputy mayor of St. Petersburg, had by his directive created the small Vecherniy Peterburg public enterprise, which is to be the founder of an independent newspaper of the same name. Unhappy with city hall's decision, the employees of the newspaper intend to lodge a protest against it with the city procuracy.

**8 July.** A hearing on the appeal of the General Procuracy and the State Research Institute of Organic Chemistry and Technology, which disagree with a ruling of the Babushkinskiy Rayon Court, which awarded Professor Vil Mirzayanov compensation for moral damage in the amount of R30 million, is planned in the Moscow Municipal Court.

**8 July.** In accordance with a directive of Aleksandr Postrigan, head of the administration of the city of Klin (Moscow Oblast), the premises were sealed and the power cut off at the local television studio. The directive of the head of the administration was canceled on 9 July.

**12 July.** The Supreme Court of Arbitration of the Russian Federation failed to uphold the suit of the Russian Press House (DRP) brought against the State Property Committee and made a ruling that proposes that the plaintiff and the respondent come to an agreement. On 13 July, the leadership of the DRP submitted an appeal on error against this ruling, demanding that it be allocated, in exchange, premises at 19, Novyy Arbat, which are equivalent in area.

**14 July.** Twelve leaders of regional television and radio companies of Russia sent an open letter to the president of the Russian Federation in defense of Bella Kurkova, chairman of the Television and Radio Broadcasting Company of St Petersburg.

**18 July.** Leonid Potapov, president of the Republic of Buryatia, signed the Decree on Coverage of the Activity of the Organs of the State Power of the Republic of Buryatia in the News Media, in accordance with which he adopted the decision "to terminate as of 1 August the funding and publication of the newspaper BURYATIYA" that had been founded earlier by the Supreme Soviet and Council of Ministers of the republic. On 19 July, the newspaper staff published in BURYATIYA an appeal to the president, which notes the violation of the paper's charter and the News Media Act of the Russian Federation.

**21 July.** Aleksandr Kakotkin, correspondent of the weekly MOSKOVSKIYE NOVOSTI, was attacked on a suburban electric train near Moscow Oblast's Tuchkovo Platform. Six persons beat up the journalist in a car of the train and removed his noted from his coat.

**25 July.** Vladimir Korsunskiy, Moscow correspondent of Radio Deutsche Welle, was attacked.

**25 July.** Employees of public radio stations were told of a reduction in the broadcasting of programs of the Ostankino Television and Radio Company (Mayak, Yunost, Radio 1, and others). The nighttime broadcasting of radios Mayak and Yunost is being cut back, and the broadcasting of Radio Orfei is to be halved.

**26 July.** In his television appearance, Movladi Udugov, minister of information and the press of the Chechen Republic, announced the termination of the transmission on the territory of the republic of programs of

Russian television companies. Solt Apazov, permanent representative of the Chechen Republic in Moscow, had declared earlier that the transmission of programs of Central Television, primarily Ostankino, would very shortly be terminated on the territory of the republic.

#### Turkmenistan

**July.** The parliament (National Assembly) of Turkmenistan has prepared a new decree on the use of the title of the president of Turkmenistan in the news media in translation from Turkmen into other languages. The decree specifies the imposition of a fine for systematic distortion of the title of Turkmenbashi, which could entail also loss of the right to obtain information via official channels.

**8 July.** The authorities of the city of Turkmenbashi (formerly Krasnovodsk) prohibited the newspaper GOLOS TURKMENBASHI from publishing the text of an appeal by the inhabitants in connection with the adjustment of an agreement between Turkmenistan and Russia on dual citizenship.

**25 July.** After several attempts to discredit representatives of the opposition, the authorities of Turkmenistan adopted drive-out tactics. On 25 July, the wife of Murat Esenov, correspondent of Radio Liberty, who is in Moscow, received official notification from the authorities of Ashkhabad that she must "vacate the apartment in two weeks' time," otherwise she would be threatened with "forcible eviction from the apartment with the confiscation of property."

#### Uzbekistan

**July.** Correspondents of two Russian newspapers were attacked in Tashkent. The newspapers are afraid as yet to give the journalists' names.

#### Ukraine

**July.** Residents of the city of Reni (Odessa Oblast) have been deprived of the opportunity to receive a Ukrainian Television channel.

**1 July.** In Kharkov, persons unknown beat up Georgiy Lykov, correspondent of the ATN Agency. Personal effects and papers were taken from him.

**6 July.** Vladimir Mukusev, the well-known Russian television reporter, "disappeared" in Simferopol under mysterious circumstances. Earlier, when Mukusev had been in the hospital in Moscow, he was called by an unknown person, who proposed a meeting at the 10-kilometer marker on the Simferopol-Sevastopol highway in order to hand over some important documents.

**9 July.** By a decision of the procuracy of Odessa, 13 tonnes of paper were confiscated from the stocks of the

newspaper NARODNOYE OBOZRENIYE and transferred to the newspaper MORYAK. The newspaper NARODNOYE OBOZRENIYE had earlier been accused of anti-Semitism.

**12 July.** The Ukraina democratic association distributed a statement that speaks of an offensive of anti-Ukraine forces, which, in its opinion, is expressed in the work of the television companies and radio stations broadcasting in Russian.

**12 July.** At approximately 2300 hours, Sergey Lebedev, editor of the newspaper PRAVOVYYE VEDOMOSTI (Odessa), was attacked near his home. Two assailants beat up Lebedev, making no attempt to rob him.

**20 July.** A large group of journalists accredited in Crimea from the Moscow publications IZVESTIYA and NEZAVISIMAYA GAZETA; GOLOS UKRAINY, the newspaper of the Supreme Council of Ukraine; Radio Liberty; the BBC; the INTERFAX-UKRAINE Agency; Crimean Television; and others was barred from a news conference of Yuriy Meshkov, president of Crimea. Vyacheslav Lebedev, the president's press spokesman, declared that only the journalists that had "never criticized or intended to criticize the president" would take part in the news conference.

**22 July.** Militia officers attacked the International Environmental Camp of Protest Against the Construction of the Odessa Terminal. The action was directed by Lt. Col. A. Repeti, deputy chief of Odessa's Primorskiy Rayon Internal Affairs Department. The casualties included three journalists—Sergey Fomichev, editor of the international environmental journal TRETIY PUT (Moscow), Nadezhda Shevchenko, editor of the Kiev Eco-Defense-Inform Agency, and Olga Miryasova, coordinator of the press office of the Moscow environmental organization, Guardians of the Rainbow.

**24 July.** Igor Neshcheretnyy, employee of the Odessa newspapers NARODNOYE OBOZRENIYE and ODESSKIY VESTNIK, was attacked in the evening between 2100 and 2200 hours. He was forcibly shoved into Zhiguli by persons unknown; in the vehicle a noose was thrown around his neck; and, before this, his assailants had said: "Well, now, you have gotten yourself into a mess, you have been warned." The journalist, who had lost consciousness, was thrown out of the vehicle in another district of the city.

**The Defense of Glasnost Foundation would be grateful to all who are interested in defending freedom of speech for information on the persecution of journalists and the press.**

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#### **General Volkov Proposes Changes in CIS Collective Security System**

**944F1366A Moscow NEZAVISIMAYA GAZETA**  
*in Russian 20 Aug 94 p 3*

[Article by Major General Vasiliy Petrovich Volkov, candidate of legal sciences, and representative of the CIS Executive Secretariat Council of Defense Ministers: "Collective Security of the Commonwealth: System Needs To Be Changed"]

[Text] More than two years have elapsed since the Collective Security Treaty was signed in Tashkent. The peoples of the former Soviet Union, and not they alone, breathed somewhat easier. Some, because there was now hope that the focal points of the interethnic and other conflicts that had erupted full force by that time on the territories of certain states of the Commonwealth would be extinguished, others, because they understood that the new regional community professing the principles of nonaggression, noninterference, and good-neighborliness in mutual relations with other states was prepared to use force in the sole instance of it, the community, or any of its members being subjected to some aggression on the part of third countries. These declarative postulates of the treaty were subsequently bolstered by real actions. The nuclear weapons were concentrated mainly on the territory of Russia and the strategic missiles were no longer targeted at facilities of the former probable enemies.

So the world community could sleep easy. But can the mother, wife, or family of the soldier and officer of the Commonwealth peacekeeping forces (Russian servicemen, in the main), who are literally separating with their bare hands the inhabitants of one and the same state avid to exterminate one another, sleep easy. The peacekeepers themselves quite often find themselves caught up in this fight.

It may now be affirmed that everything as regards our commitments to the world community is being fulfilled unswervingly. Yet our attempts to create an effective regional system of collective security, within whose framework not only problems of military security but also, perhaps, at this stage, problems of greater urgency for the Commonwealth of Independent States could be tackled successfully, remain in many instances merely good intentions, with which the road leading whither is well known.

Only the efforts of Russia, perhaps, are somehow as yet holding back the points of tension that are at times slowly dying, at times flaring up. One has the impression here that it is losing far more than it is gaining. Not to mention the charges of "imperial ambitions," Russia is sustaining considerable economic losses. It is losing its sons. Is it not too high a price for, as some people maintain, "the defense of Russia's interests in the near

abroad?" I believe that what we have there are the interests of the whole Commonwealth, not just of Russia.

God forbid, but what is at this time someone else's business could come to be the epicenter of tragic events like those that have occurred in the Dniester region, Karabakh, Abkhazia, and Tajikistan. It makes no difference here what goals were being pursued or who ignited these conflicts. The main thing is that people, the absolute majority of whom are totally innocent, are dying.

In order for such things to have been ruled out in the future, real political will should have been displayed yesterday, even. Although even today this is not too late.

But, as the almost three-year experience of the existence of the CIS shows, political will alone is frequently insufficient for ensuring that the documents adopted in the Commonwealth at the highest level operate flawlessly. If we go back to that cart in which the Collective Security Treaty is peacefully slumbering, the political will of its participants does, it would seem, exist, and all want to pull this cart in the same direction (as distinct from the participants in the operation from Krylov's well-known fable), but there have been no real, tangible results as yet.

Evaluating this situation, you involuntarily make a comparison with the activity of the NATO bloc. You may take a varying view of this organization and question the very need for its existence under modern conditions, but the fact that no armed conflicts are permitted within the NATO framework and that, if they do arise, they are quickly cut short with the use of all possible means is indisputable. NATO has a mechanism for the realization of adopted decisions. With us, however, this mechanism is far from perfection.

In expressing my position on this issue, I would like to mention that, as a representative of the Joint Armed Forces Main Command and, subsequently, a representative of the Commonwealth of Independent States Executive Secretariat Defense Ministers Council and simultaneously, for almost a year now, having been acting chief of the Department of Interstate Political-Legal and Military Cooperation of this Secretariat (may there be no wincing, as they read these words, among employees of the Finance Office of the CIS Military Cooperation Coordination Staff, where I am down for all the types of allowance—I hold the latter position on a voluntary basis, that is, on an unpaid basis, strictly in accordance with clause 7 of Article 10 of the law of the Russian Federation "Status of the Serviceman") and participating in practically all sessions of the Commonwealth Council of Heads of State, the Council of Heads of Government, and the Defense Ministers Council since the moment of their formation and in certain sessions of the Foreign Ministers Council, I have concluded that the attempts to transfer international experience of the adoption and realization of decisions onto our reality are not always justified. There are many reasons of both an

objective and subjective nature for this: The absence thus far of the necessary legal base and supranational bodies whose decisions would be binding on all states and the readiness of all bodies, organizations, officials, and citizens to abide unswervingly by the decisions adopted by arms of the Commonwealth, and here the reason is that same legal nihilism to which all of us became inured over decades, and much, much else, including a lack of interest in and, in some cases, active resistance to the integration processes occurring in the Commonwealth on the part of individual states, organizations, and officials. This is natural; each has his own interest here.

Considering this, it will take a considerable amount of time to create the conditions where the decisions adopted within the framework of the Commonwealth are fulfilled unswervingly.

And, in addition, while there is an absence in our states of a law-based, civil, democratic society, and while all processes are controlled only by individuals or groups of individuals, not rules of law, we need a chief who can lead us to that same law-based, democratic society. This is the mentality of the majority of our society. And we simply cannot escape this.

Considering what has been said, a number of organizational-legal measures are necessary in the immediate future, in my view, to ensure that the Collective Security Treaty operate for the good of the Commonwealth of Independent States, each participant, and, yes, the entire world community as a whole.

The signing of the Collective Security Treaty in May 1992 pursued military-political goals, primarily. This meant preservation of the single defense space, joint armed forces of the Commonwealth, the unified command of the strategic nuclear forces, and certain other points, which corresponded in full to the constituting documents of the Commonwealth of Independent States. The adoption in states of the CIS of legislative instruments on the creation of their own armed forces and on neutrality and such is evoking in the Commonwealth a cool attitude, to put it mildly, both toward the very idea of the treaty and toward all other documents adopted in its development.

In addition, collective security, it is customary to believe, means mainly joint defense against a military threat, and this, let us be realistic, has been pushed back considerably at the present time compared with the Cold War period.

Yet the very concept of security incorporates several subspecies. According to some criteria, security is subdivided into political, economic, environmental, military, and so forth; according to other, most general, criteria, into security of progress, social security, and so forth; according to yet others, into the security of the person, society, the state, and a system of states and planetary security.

To ensure that the involvement of states of the CIS in the Collective Security Treaty be more compelling and, most important, necessary and useful for all members of the Commonwealth, it is essential to determine the priority threats to each state. For the Republic of Belarus, possibly, these could be environmental and economic threats, for the Republic of Tajikistan, political and military threats, and so forth. Having all united together within the framework of the Collective Security Treaty, each state could participate in it in the areas that it needs most.

And now concerning the role of the chief in this process. The entire system of collective security at the first stage could operate under the direct leadership of the head of the state that is the chairman in the statutory bodies of the Commonwealth—the chairman of a Collective Security Council. To ensure continuity in leadership and the fulfillment of the adopted decisions, it is essential to have on a permanent basis one first deputy chairman of the Collective Security Council and three deputies, who could be responsible for the entire set of questions on problems of security in one of four regions of the CIS: East Europe, the Caucasus, Central Asia, East Asia.

There could under the first deputy be a small staff consisting, in the main, of citizens of the state whose representative the first deputy himself is. The basic preparatory work (preparation of draft documents, their concordance and substantiation, and so forth) should be performed in the regional structures of the system of collective security of the CIS and also in the Defense Ministers Council, the Foreign Ministers Council, and the Military Cooperation Coordination Staff and also, if necessary, in other arms of the Commonwealth.

The entire organizational-support work on the final polishing of the documents and the preparation and realization of sessions of the Collective Security Council could be assumed by Executive Secretariat.

Why do I speak about this in such detail? Recent sessions of the Commonwealth Defense Ministers Council and the Foreign Ministers Council have confirmed once again that the majority of subscribers to the Collective Security Treaty are reluctant to have a structure of the

system of collective security that presupposes its strict centralization and the creation of costly new interstate bodies. But it is not even the economic difficulties that frighten some states, although some of them are allocating up to 4 percent of their budget, which is sparse by today's standards, for the upkeep of the interstate bodies that already exist. The main thing is that such a system of collective security and the assignments that it is proposed tackling within its framework are not to the states' liking. Consequently, it is necessary to change the system and give it different assignments. I believe that at this stage, whatever degree of integration we achieve in the immediate future, it is essential to shift the brunt of the work on problems of security to the states and the regions and to reserve for the center the solution of organizational-legal questions and the elaboration of the conceptual propositions of the collective security of the Commonwealth.

The fact that the main intellectual potential in all areas of the proposed activity of the Collective Security Council is concentrated in the states and that it needs to be utilized to the maximum extent in the interests of the entire Commonwealth also speaks in favor of the creation of just such a system of collective security.

The framework of an article does not allow the proposal of a solution of all the complex problems of the collective security of the Commonwealth. But it would be better, in my view, to discuss this at a conference of leaders of the staffs of the security councils of the participants in the Commonwealth of Independent States, that is, the people who feel in their bones and who know better than anyone all the problems of the security of their states, the regions, and the CIS as a whole. It is simply amazing that we have been attempting thus far to decide these most important questions for the Commonwealth without their participation.

It may be assumed with a great degree of probability that some of the proposals that have been expressed in this article will not suit some people. Particularly those who have no interest in a strengthening of the Commonwealth in all areas, specifically in the creation of a dependable defensive alliance. But the integration processes in the Commonwealth have already begun, and no one can stop them.

### Unofficial Collaboration Between CIS Security Services Questioned

944F1382A Moscow MOSKOVSKIY KOMSOMOLETS  
in Russian 11 Aug 94 p 2

[Article by Mikhail Rostovskiy: "The CIS Spy Encyclopedia: Uzbeks, Georgians, and Armenians Exposed"]

[Text] One could watch on television the embrace of the FBI director and the Russian counterintelligence chief—until recently mortal enemies. The chiefs of other ex-pieces of the USSR KGB—now heads of special services of proud and independent republics—have no need for elaborate ceremonies. Most of them know one another all too well. But the things that are happening there are no less interesting.

Unlike November 1992, when the Ministry of Security jealously guarded the organs' "family affairs," this time the "Lubyanka minister of foreign affairs" himself—Yuriy Demin, chief of the contract-legal administration of the Federal Counterintelligence Service [FCS]—gave an interview to MOSKOVSKIY KOMSOMOLETS.

Three years after the disintegration of its alma mater, the FCS has agreement-governed relations with the colleagues—agencies of 10 Commonwealth countries. For political reasons, no agreement has yet been signed with Georgia and Azerbaijan.

Our counterintelligence keeps the greatest friendship with security services of Ukraine, Belorussia [Belarus], and Kazakhstan. But continuous exchange of information and "technical cooperation" exist with all.

#### A Common Stealing Space

All of this, of course, is the "ceremonial" side. And what is happening behind the scenes?

The most pleasant piece of news probably is that a rather disgusting tradition, which emerged on the ruins of the KGB—the "single stealing space"—seems to begin to fade away.

The "single stealing space" was born in the very beginning of 1992 and, alas, at the prompting of the highest Russian leadership. At the time, the Kremlin decided to give an unusual gift to the new Shevardnadze administration in Tbilisi. A live gift—the former enforcement minister of Georgia under Gamsakhurdia, Dilar Khabuliani, who had been careless enough to settle in Moscow.

This came out under rather amusing circumstances. Members of one of Russian special services (not the MBR [Ministry of Security of Russia]—there is rumor that this was allegedly done by high-ranking personnel from Yeltsin's protection service) attempted to conduct the operation in the style of gangster actions movies. But, when they were dragging the unfortunate ex-minister into a limousine, they were detained by ordinary Moscow militia.

This did not help Khabuliani, though. Some time later it was announced in Tbilisi that he decided to "return voluntarily and face the court." Since that time, a virtual pandemonium began in Russia.

Mssrs. Dissidents, who had a difference of opinion with Central Asian presidents, discovered that the latter are capable of "continuing the discussion" outside the borders of their domain. Russia firmly acquired a reputation of a dangerous zone.

The saddest part of this all was not even that the Uzbek President Islam Karimov's "law enforcement" organs' favorite method of resolving internal political problem are "skulls cracked by persons unknown." And not that only slightly gentler methods are applied on the Russian territory. For instance, an "opponent" of one of Central Asian leaders was tied to the radiator in his own Moscow apartment during several hours of search! (Fortunately, the radiator was cold). It is that these practices were covert and officially denied in every way possible. And hence, there were no legal ways to regulate them.

Now the chief of the FCS contract-legal administration firmly states that "foreign" operations on the Russian territory are conducted solely in keeping with one of three legal procedures. An extradition agreement (so far none of such have been signed with any CIS countries); a personal agreement between presidents (also so far has not occurred); or upon a sanction of the Russian Federation procuracy.

And, in fact, when, in May, Vagan Avakyan, former deputy chief national security adviser to the president of Armenia, who "forgot" that he had in his possession a diskette with Armenian state secrets, was arrested in Sheremetyevo-2, everything was done absolutely by the book. The same may be said about the recent arrest in the North Caucasus of a Turkmen drug lord, conducted with the participation of officers of Turkmenbashi's special services.

Let us not wonder about the reason for such respect for the law. One may assume that this is related to an incident that happened not too long ago in Belorussia. Two elderly Lithuanian communist leaders, who wandered into Belorussia at their own peril (and as it turned out later, not only their own) were extradited to Lithuania. These comrades, accused of having something to do with the emergence on the Lithuanian soil in 1991 of the mysterious National Salvation Committee (the precursor of the GKChP [State Committee on the State of Emergency]) were handed over with all attendant formalities. This, however, created a lot of problems for the chairman of just about the last remaining KGB on the former Soviet soil, and then, in the final count, his boss—the then leader of Belorussia Shushkevich.

#### The Residents of My Acquaintance

CIS "diplomats of the invisible front" also are showing up in Moscow. There are currently about five of them.

The first to send their representatives were special services of Uzbekistan and Georgia. As fate had it, this MOSKOVSKIY KOMSOMOLETS correspondent happened to meet with both.

The National Security Committee [KNB] of the Republic of Uzbekistan is known first and foremost by its relentless struggle against "enemies of the nation." It is this side of its activities that involved the famous kidnappings. In the end of 1992, the Uzbek security undertook a successful attempt to kidnap members of their opposition from a human rights conference in the Kyrgyz capital of Bishkek. (Great demonstration, needless to say!). And, in May 1994, they unsuccessfully made a similar kidnapping attempt from the same conference, again from a capital other than their own—Alma-Ata [Almaty].

In the circumstances that do not require direct use of rather crude physical force, the Uzbek spy masters as a rule are rather clumsy. Judge for yourself. When the MOSKOVSKIY KOMSOMOLETS correspondent called the Uzbek embassy in Moscow on a unrelated occasion, the first thing they did there was to... patch him through to the local KNB resident! The resident himself, having realized who was talking to him, was horrified.

Much more mysterious relations exist between Russian and Georgian organs. The Moscow representative of Tbilisi "friends" also was very colorful. At the time of our conversations, this person held the high rank of a vice colonel of the Georgian Republic's information and intelligence service [IRS], and before that had worked in the central apparatus of the KGB's First Chief Directorate (Soviet foreign intelligence). By now he had been recalled in connection with another reorganization of his agency.

His attitude toward Russia, as well as the relationship between the organizations per se, was a strange mix of love and hate. On one hand, there was this faith in the omnipotence of Russia—that had it only wished so, it could return Abkhazia to his country in a snap. Very good relations with Russian colleagues. Using the government communications line installed in the office of the Moscow representative of Georgian intelligence, he called Russian counterintelligence units, including regional ones.

And an episode on a brink of a farce. In 1993, in Krasnodar Kray, a group of Georgian IRS officers were apprehended. One of the illegals celebrated his birthday in a local jail. The warm company of celebrants consisted of his colleagues—intelligence officers... and their guards. The rumors has it that both sides were extremely happy with each other.

Nevertheless, in the heat of an emotional argument, the representative made a slip—a rather interesting statement: "Yes, we have operated on your territory and will continue doing so as long as all this going on..." (events in Abkhazia).

And another extremely telling, although not quite comprehensible fact. The date when Moscow issued a decision to release without trial the aforementioned Krasnodar prisoners coincides with the brief arrest in the capital of Georgia of Russian correspondent Sergey Chernykh.

This is a very fishy story. In confidential conversation, IRS officers called the correspondent a "GRU [Main Intelligence Directorate] spy." The official pretext for the arrest was an exceedingly unintelligible inquiry of a "mad" deputy of the Georgian parliament, presented with the logic and style of the Russian Federation Supreme Soviet of October 1993.

Only one thing is abundantly clear. Tbilisi special services had a tremendous dislike for this person. He was almost openly "escorted" on the street; once there was an attempt to draft him into the Georgian army; other unseemly things were done; and finally he was expelled from the sovereign Republic of Georgia. And here is another of his actions, not quite typical for a GRU man, which may be now mentioned openly since those who are interested have learned about this through their own channels. He was the person who revealed to some Moscow correspondents the name of the IRS representative in the capital of Russia.

#### Security Services Newspeak of the 1990's

The token of friendship and successful joint work between CIS special service people is that until very recently their work was even more joint. But perhaps this "closeness" holds potential danger.

Sometimes friendship between counterintelligence and intelligence officers of different countries acquires touching and amusing forms. For instance, the National Security Committee of Kazakhstan arranged for publication in a newspaper controlled by the local administration of literary works of Major General Aleksey Kandaurov, the then chief of the Russian MB's [Ministry of Security] public relations center.

But here are some examples that are far less innocent. The "cornerstone" of all standard agreements between the FCS and their colleagues in CIS special services is the obligation not to work against one another. True, it is rendered somewhat differently in the bureaucratic language. But the meaning is the same.

Let us leave Georgia alone for now. There is no agreement with it yet. But there is one with Armenia. FCS Director Sergey Stepashin recently announced that a group of Armenian agents operated illegally on the territory of Russia.

The official consequences? FCS administration head Yury Demin explained that this particular part of the agreement should be interpreted as "not to use against one another classic intelligence methods." He also mentioned the difficulties in defining precisely what it means. It is even beyond doubt that any intelligence

service always gets the greatest part of information—and in our country these days especially so—from the newspapers.

But in this case even this interpretation is violated. It does turn out, however, that the FCS, nevertheless, has not expressed any displeasure through official channels either to Georgians or to Armenians regarding their "heroic deeds." Instead, reorganization is currently under way in the Armenian National Security Administration. A little earlier the same happened in Georgia. And the new Georgian Minister of Security Igor Georgadze is spoken of on Lubyanka with emphatic respect.

Thus, the trend of preference for unofficial contacts is obvious. And, unless measures are taken to keep them within clearly defined boundaries, this may be fraught with certain things. After all, even in the developed countries of the West, special services constantly slip from under control.

Recall for instance the Iran-Contra scandal, which almost ruined the reputation of President Ronald Reagan. The substance of it was merely that the CIA found a way to bypass the U.S. Congress' ban on aid to Nicaraguan "freedom fighters." Good relations with "foreign friends" helped. In the process, though, a lot of arms ended up in the hands of America's bitter enemy—Iran.

#### Woe From Principles?

And one more vice that apparently is present in the newly constructed "special services international." What is bad is not of a technical but a principal nature.

The obligation to not work against one another, which is part of all agreements, is something unheard of in the world spy practice. Unheard of, first and foremost, in its nobility. In America, one scandal involving "friendly" spying follows another. Even Israel spies. Not to mention the French. Their state intelligence not only steals on a regular basis industrial secrets of American companies. It got to the point that, when the President of the United States visits the President of the French Republic, all conversations of the "dear guest" are secretly listened to. And recently there was a mention in the press that, after the arrest of the latter-day "American No. 1 traitor," who also worked for the KGB-FCS—CIA officer Aldrich Ames—his former agency had to quickly fold one of its networks in West Europe. This network operated not against the Russian but against... NATO allies.

That Moscow does precisely the same with respect to its former brotherly republics, almost everyone in the

Caucasus is certain of. The Baltics also see the secret "hand of Moscow" everywhere. But there is no—or almost none—proof of Russia's purposeful intelligence activities.

If we discard the contention—highly moral but removed from reality: "How can one spy on formerly one's own"—then the main explanation of its absence in the "competent" agencies is this. It is a holdover from the old times, when almost everything was known in Russia about the ex-republics. If questions arise, there are open sources, plus one can always ask the colleagues. But does this really still hold true?

The now-former president of independent [Ukraine], Leonid Kravchuk, frequently spoke on the topic that all Ukrainian troubles stem from the fact that the Russian Federation delivers little oil at "reasonable" price. But Kiev was loath to talk about where, in fact, the part of still-delivered cheap oil goes. The person who attempted to find this out is Yuliy Ioffe, director of a provincial miners production association, who unexpectedly swiftly rose to be a deputy prime minister of Ukraine. The result. He learned a lot of interesting things, including about a swindle in which the Russian treasury allegedly lost half a trillion rubles. In return, he, a deputy head of the government of a European country, was nearly killed! And of all places, in the government of Ukraine's clinic in Feofaniya!

Things of equal interest to Russia also are happening in Azerbaijan. As it turned out, there are a few things in this sunny republic besides Karabakh. Huge oil reserves. Just two prospected deposits, according to some contentions, are worth 80-90 billion of green ones. And there is no shortage, of course, of those who wish to acquire rights to develop them—except Russia. One high-level British visitor, who lately began to frequent Baku, said an ominous and ambiguous phrase: "What an amazing country Azerbaijan is! There is absolutely no corruption there!"

How can one explain that this problem has not yet been comprehended "at the top"? Quite possibly, it may be that Russia simply has not yet put together a normal system of information about the near abroad even from open sources! In any case, this is what comes to my mind during our leaders' voyages around the former union. There are just too many blunders and mishaps.

But sooner or later the problem will loom in all its immensity. And then it will come out that Russia is prohibited from what is permitted to the rest of the world. What solution will be found to this stupid situation so far remains a mystery. So—to be continued...

## ECONOMIC & SOCIAL AFFAIRS

### Group To Defend Banks' Interests

944F1353A ROSSIYSKIYE VESTI in Russian  
22 Aug 94 p 2

[Article by Lyudmila Markina, chief of the Directorate for Finances, Taxes, and Accounting of the "Rossiya" Association of Incorporated Commercial Industrial and Building Banks, under the "Business" rubric: "An Association That Protects Banks and Taxpayers As Well"]

[Text] The overall strategy of the association for the protection of the interests of banks is steady work to reduce the unjustified tax burden that is being imposed on the banks. This work requires enormous effort, painstaking labor, persistence, and sometimes the qualities of "soldiers." To prove the unfairness and unreasonableness of individual positions of taxation, one needs numerous statistical calculations, an analysis of normative material and data on practice, and also firmness and high-mindedness in defending his point of view.

Let us take, say, the procedures for the determination of the tax base of the banks for the calculation of the tax on highway users and the tax for the maintenance of housing and facilities in the social sphere. In the determination of this base, local tax agencies included receipts from loans granted through centralized credit resources in the total income of commercial banks. Such a procedure led to an artificial raising of the tax base for the calculation of these taxes and to the double taxation of the same funds.

An absolute injustice—this was discussed correctly and sharply during a seminar and meeting of managers of member banks of the association in April of this year. It is a matter of billions, and some people are not very eager to lose them.

Specialists from the Directorate for Finances, Taxes, and Accounting needed exactly a year to resolve this question. And what a year! It was a year of struggle, great efforts, persistence, and convincing arguments to prove the necessity of this measure at all levels and before different commissions.

And finally the Ministry of Finances and the State Tax Service agreed with the opinion of our association, and on 28 June 1994 they issued Amendments and Additions No. 2 to Instruction No. 36, 19 "On the Procedure for the Calculation of Taxes and the Receipt of the Taxes and Other Means in Road Funds," in which they provided for the exclusion from the tax base of banks of income obtained from specific centralized credit resources within the limits set by the Central Bank of the Russian Federation (registered in the Ministry of Justice of the Russian Federation on 5 July 1994, No. 621).

These agencies are presently preparing a letter on a corresponding change in the tax base and on the tax for the support of housing and facilities in the social and cultural sphere.

### Human Rights Activist Fears Media Ceding Independence

944F1326B Moscow SEGODNYA in Russian  
16 Aug 94 p 3

[Article by Viktor Khamrayev under the rubric "Version": "The Oldest May Become the Second Oldest; Genri Reznik Believes That the State Security Services Are Using the Press to Their Own Ends"]

[Text] Lawyer Genri Reznik, defender of the law, member of the Helsinki Group, in a conversation with a SEGODNYA correspondent, declared that over the past several years or so there has been a noticeable tendency among the mass media to lose its independence. In a number of cases, newspaper editorial offices and television channels, in the opinion of the lawyer, have been consciously ignoring the freedom that was granted them by law and for reasons that have no connection with those economic complications that the mass media encountered under conditions created by the transition to a market economy. In losing its freedom, Reznik thinks, the press ceases to be the fourth power.

Genri Reznik rejected the thesis that "there are no independent newspapers." Allowing that "journalism is the second oldest profession" and that the journalist works on the idea of whoever pays, Mr. Reznik sees no contradiction between this and the concept of "independence." "The journalist and editorial office are independent if only because they have the right to select and decide on whose idea they will start working," he believes. Genri Reznik noted, by the way, that the press has freedom only in Moscow. In the provinces, according to the lawyer's observations, the Russian press continues to be under the heel of the "oblast committee apparatus, which is just called something else now."

Even under the conditions of "Moscow freedom of the press," however, the mass media, according to Mr. Reznik, has now lost many of its positions "of power" by comparison with what it had "at the dawn and at the height of perestroika, when the powers that be feared critical publications." At present, the officials can allow themselves not to react to criticism in the mass media.

Moreover, the lawyer is certain that the potential possibilities of the fourth power are now being used for their own selfish purposes by the officials. Mr. Reznik was led to that conclusion by his many years of legal practice. Since 1988, Genri Reznik had occasion to participate in 34 personal defamation suits brought by citizens against various elements of the mass media. All cases in which the lawyer represented those suing the press were won by him.

The mechanics of the appearance of certain "revelatory pieces" in the press and "their true goals" were explained by Mr. Reznik using his last case in which Grigory Luchanskiy of the Nordeks Company sued the newspaper KOMSOMOLSKAYA PRAVDA for defamation of character. The nature of information and facts

reported by KOMSOMOLSKAYA PRAVDA in two published items leaves the lawyer certain as to their source: "They could all have been obtained from archives of a once all-powerful and almighty agency, which, like Orwell, I shall call "the ministry of love." It would be even more accurate to say that this information was not obtained, but submitted by the former KGB itself, since, almost simultaneously with publication in KOMSOMOLSKAYA PRAVDA, similar articles on Nordeks appeared in other Moscow newspapers as well as in the Swiss, Austrian, and Canadian press. The company was accused of hiding currency funds, and it was alleged that one of its executives had a criminal record. Mr. Reznik, however, was able to prove the unfounded nature of those accusations.

The Nordeks group, however, which unified 35 companies in Switzerland and Austria and around 100 joint ventures in 14 republics of the former USSR, was hopelessly compromised. Nordeks credits were being frozen, and partners started dissolving contracts. That result, Reznik is convinced, was the true goal of the "ministry of love."

The main moving force in the case with the president of the Nordeks Company, Mr. Luchanskiy, Genri Reznik believes, was the wish of the "all-powerful agency to settle old scores" with the entrepreneur who once dared to refuse his cooperation with the State Security Committee. The lawyer sees a number of other similar cases as our "our unique method of conducting a competitive struggle by utilizing the tendency of the all-powerful agency to defame the targeted person, for a fee leaking out compromising information at one time gathered in the archives, which constitutes disinformation."

In that connection, Genri Reznik assumes that newspaper editorial offices and journalists should conduct their own "journalistic investigations" before publishing revealing materials offered to them by someone so as to publish the facts only after "their accuracy is verified." In the opinion of the lawyer, only then can the press maintain its independence. Otherwise, as Mr. Reznik expressed himself, the second oldest profession becomes the oldest profession.

Mr. Reznik noted that so far the courts have been hearing only defamation suits. But, if our practice of "competitive struggle" continues, the lawyer warns, the plaintiffs will begin using the article of the law on mass media, which stipulates payment of compensation by the mass media for any losses brought about by publication of material.

In addition to that, Mr. Reznik noted that one third of the defamation suits brought against the mass media are found to be unfounded in the course of court examinations. In that case, the lawyer believes, the editorial office or the journalist, must have the right to file a countersuit for violation of press freedom.

### Activities of Regional Crime Groups Viewed

944K2239A Moscow LITERATURNAYA GAZETA  
in Russian No 34, 24 Aug 94 p 12

[Article by Militia Colonel Vyacheslav Razinkin (Main Directorate for Combating Organized Crime of the Russian MVD), candidate of juridical science; under the rubric "LITERATURNAYA GAZETA Investigation": "Crime Bosses: A Force or a Myth?"]

[Text]

### We Know of You, But We Do Not Want To Live Under You

Foreword by Yuriy Shchekochikhin, LITERATURNAYA GAZETA investigations department editor

The material we are offering to the reader does not fit any of the genres of newspaper materials: It is a matter-of-fact research, which one of the leading specialists on suppression of organized crime did explicitly for LITERATURNAYA GAZETA.

People who are the subject of this research increasingly more, and more, and more consider themselves today the carriers of new public morality. But increasingly more and more often (and I wrote about it in the previous issue of LITERATURNAYA GAZETA) I hear voices: Perhaps there really is something to them?

Yes, professional criminals have always existed and will exist in the future: Such is the history of humanity. But I would rather not see them as trend-setters of life. Their place is within "the law." Precisely this way—sarcastically, in quotation marks.

In the hierarchy of kingpins of the criminal world of Russia, a special place belongs to "crime bosses", who possess criminal peculiarities that distinguish them from other leaders of the criminal world.

"Crime bosses" as especially dangerous leaders of the criminal world possess multifaceted criminal skills.

For instance, a "boss" nicknamed Bibik headed an organized criminal gangster-type group in Krasnodar Kray.

A "boss" nicknamed Gurgen headed a criminal organization in Tolyatti in Samara Oblast; it included gangster groups, units that carried out criminal activities under the cover of financial-commercial structures; and others. A "boss" nicknamed Dzhem heads a criminal association that holds under its umbrella criminal groups and multi-purpose criminal organizations operating in oblasts, krais, and okrugs of the Far East region.

According to the data of the Main Directorate for Combating Organized Crime [RUOP] of the Russian Federation MVD [Ministry of Internal Affairs], 387 leaders of this criminal type live on the territory of Russia, more than 100 of whom are currently in places of incarceration.

In 1993, republic internal affairs organs detained 45 "crime bosses" for organizing and committing crimes; 29 of them were arrested, and of them, 20 convicted.

A question arises unwittingly: If a "crime boss" is a criminal world leader, he must be found guilty of criminal activities and sentenced to a punitive measure.

However, in practice this is far from the case. Most "bosses" themselves do not directly commit crimes. As a rule, they are either organizers or ideological inspirers of persons who commit crimes. In the current situation, it is quite difficult to bring criminal charges against the former, and activities of the latter, according to the current Criminal Code, do not constitute a crime.

According to the testimony of most experienced practitioners in law enforcement organs, some criminals of this category, including those from the former USSR republics (according to the records kept, there are 339 of them in addition to the aforementioned) move around Russia and travel to countries of near and far abroad, actively boost the activities of criminal structures.

Some "bosses" have set up an illegal network of criminal ties not only in Russia, but also in CIS countries, are branching out into East and West Europe, the American continent, and Southeast Asia.

At the same time, we have information that some "bosses" from the most elite group of especially dangerous leaders of the criminal world are not openly announced as such in the criminal world and are known only to a rather small circle of persons in the "bosses" caste. This facilitates the tendency toward not only further strengthening the illegal activities of the "bosses" community, but also further advancement of such criminals to the higher echelons of power.

A study of "bosses" personalities shows that their maximum age is 50-55; considerably less frequently 60 or more. We know of three "bosses" who are 60-65 years of age and one criminal who is 73. He lives in Saratov Oblast. At the same time, there are people 22-25 years old among the "bosses," which generally is not typical of them.

In February 1994, in the process of conducting intelligence and search operations, RUOP officers detained four especially dangerous criminal world leaders of Georgian nationality; in their company was a "crime boss" who was born in 1972, nicknamed Mishel. In the opinion of operatives and some leaders of the "bosses" movement, Mishel is not a real "boss"; allegedly, he bought this criminal title for big money, which went to a common "kitty" of the Georgian ethnic criminal association.

At the same time, 85.6 percent of these leaders are between 30 and 45 years old, that is, are part of the socially active population group. As a rule, they are mature people who have considerable criminal experience and are criminals by nature. One in nine "bosses" is a particularly dangerous repeat offender.

Among individual criminal-identification marks of a "boss" are tattoos, jargon, nicknames, and the style of covert correspondence. The "bosses" association has certain tattoos whose designs are typical of them. For instance, a church tattooed on the back means that a particularly dangerous leader had been in a place of incarceration, and the number of domes means the number of convictions. Lately "bosses" have been avoiding putting on a large number of tattoos, since it is no longer considered prestigious among the criminal world elite.

The analysis of "bosses" lifestyle, migration, ties, and other criminal parameters show that the highest concentration of particularly dangerous criminal world leaders is in the Moscow region. In 1993, during certain period of time, between 110 and 160 persons congregated here.

Over 1993, 10 "crime bosses" were arrested by internal affairs organs in Moscow.

Thus, Moscow today is not only the center of economic reforms and developed business, but also is a megapolis where numerous criminal ties and conflicts are intertwined, which is fraught with runaway lawlessness.

The next by the degree of saturation with particularly dangerous leaders and their cohorts are North Caucasus, the Far East, and Urals-West Siberia regions, and Rostov and Irkutsk Oblasts.

I think that, among the aforementioned regions, Sakhalin Oblast deserves a separate note; it is an attractive place for the "bosses" association, whose members paid numerous visits here in 1992-1993. The analysis of "bosses" activities and other information allows a conclusion that they are not coming here on a leisure trip.

The Sakhalin Islands are a geographically convenient place as a both legal and illegal gate abroad, to Southeast Asia, and the Pacific Basin countries, first and foremost as drug-manufacturing bases but also for other varieties of criminal business, such as porno business, trading stolen cars, legalization of criminal income, and so on.

Sakhalin Oblast is an economically underdeveloped area, and, therefore, it is convenient for the "bosses" to invest "kitty" money in real estate here, especially in purchases of land lots, keeping in mind the region's industrial development—for instance, its future prospects in oil production and refining. At the same time, Sakhalin's distance from the center manifests itself in a weak state control over law enforcement, as well as low efficiency of internal affairs organs and border protection, which is helpful in the development of "bosses" illegal networks, including with foreign accomplices. It is not accidental that this region was visited in 1993 by such authoritative "crime bosses" as Daro, Dzhem, and Arsen, on a sort of a reconnaissance trip.

Criminological research and practical activities of law enforcement personnel objectively paint the generalized image of a "crime boss."

Leaders of such type are generators of criminal ideas and views, uncompromising opponents. They are inventive and sophisticated. Over the past few years, they have been demonstrating their piety. Under the mask of decency, the "bosses" are far from always fair; they are mendacious, vindictive, and cruel. About 80 percent of these persons have a predilection for drugs.

**Officials, as well as other persons who have to deal with "bosses,"** emphasize their sociability, ability to establish contacts. For instance, "crime boss" Baryga maintained friendship with the former chief of the administrative organs department of the Russian communist party's Bryansk oblast committee, who in the criminal world went by the nickname of Dubcek. Baryga also maintained friendly relations with the senior aide to the procurator, deputy chief of the oblast UVD [internal affairs administration], and some other influential officials.

When needed, "bosses" display initiative and decisiveness; they are able to dominate not only criminally inclined persons, but also members of state structures.

The appointment of a person as a "crime boss"—the so-called coronation—is carried out at a "bosses" convention or through "bosses" correspondence and requires a recommendation of at least two criminals of the same category. The future "boss" as a rule goes through a probation period, a sort of a candidate status. According to operational information, 11 criminal authorities were "crowned" in 1993.

The announcement of a "crime boss" to the criminal world is carried out both directly by the "bosses" who were present at the convention and through the "bosses" correspondence—the so-called ksivas [memos], malevki [circular letters]. In some instance, the brotherhood is informed by the "crowned" person himself of his ascension to the title—for instance, during his transport to a prison or a camp.

The data in our possession says that at least between eight and 11 criminal authorities are crowned on average every year. This information is imprecise, however; most likely, the figures are greater since any "bosses" convention is organized and convenes illegally. Everything that is discussed at it, as well as all the decisions made, are kept strictly secret. There are known instances when criminal world leaders dealt cruelly with those guilty of "burning"—deciphering—a "bosses" memo: they were either subjected to sodomy or a physical abuse, up to murder. Therefore, obtaining information about a convention always entails great risk and operational difficulties.

In the end of the 1980's-beginning of the 1990's, when several tons of "bosses" gathered for conventions, they themselves called such gathering congresses. Several such congresses were held in Tbilisi, Baku, etc.

Among the most authoritative "bosses," one can name Yaponchik ("Little Jap"), Dzhem ("Jam"), Grandpa

Hasan, Shakro the Young, Robinson, Dzhamal, Dato from Tashkent, Shurik, Zakhar, Rospis ("Signature"), and some others.

The "bosses" association is not homogeneous—among them there are dukes, the middle class, and organizers of the lower criminal classes.

Today's "bosses" elite are not tattooed characters with teeth blackened by chefir [tea brewed to the strength of a narcotic]. He is clean-shaven, and usually fashionably dressed. Among his servants are not only orderlies but also bodyguards; and his everyday life includes several privatized apartments and dachas. He rides in a prestigious, usually foreign-made, car. Their inner circle and closest aides include experienced lawyers, some members of organs of authority and the law enforcement system.

Observations show that the stratification in the "bosses" association began since the middle of the 1980's. This was pointed out at the time by A.I. Gurov, who characterized some "bosses" as so-called "beetles," who extort material values and frequently force shadow economy dealers to take them as partners, investing in the illegal production the money obtained by criminal means.

Since the beginning of the 1990's, some "bosses" continued this trend. Following legalization of some shadow economy dealers, they also went into legal business, doing it through proxies from their inner circle.

For instance, a certain Pudel ["poodle"], the proxy of "crime boss" Dzhem, maintains several commercial enterprises and is on the board of directors of several commercial banks.

Currently the most authoritative "bosses" as a rule are criminal dealers, whose credo is accumulation of considerable material values, personal enrichment. Along with this, some leaders of this type—especially of Caucasus origins—engage in politics. All of this conflicts on a fundamental level with the "bosses" idea, the "bosses" ideology, the main meaning of which is to live in the name and for the benefit of the "bosses" brotherhood—not parasitism at its expense.

In 1993, 16 "crime bosses" were killed—three times as many as in 1992. These grave offenses as a rule are committed with the use of automatic weapons or explosives; in some instances "bosses" and their closest confederates were dismembered or burned after the murder.

At the same time, operational-investigative information reveals more "prosaic" causes of conflicts and controversies. There is an ongoing fight for criminal influence on a territory, a sphere of criminal business, commercial activities, business, sectors of state and private economic activities, and appropriation of criminal profits.

In 1993, in Nizhny Novgorod Oblast "crime bosses" Semerik and Kitayets ("The Chinese") together with their entourage could not agree on the division of a luscious

pie—a credit in the amount of R5 billion, and several enterprises undergoing privatization. The result was a number of corpses on both sides, including those of the "bosses" themselves.

In 1994, the heat of the battle is not subsiding. In February, a second assassination attempt was made on the Russian association's "boss" nicknamed Rospis, with the help of remote control explosive device. The criminal himself was not hurt by the explosion, but bystanders, including two young girls, were seriously injured.

In April 1994, "crime boss" Kvezho was killed in his apartment in Moscow. About 0800 someone rang the bell at the door of his apartment. His wife opened the door. A burst of submachine gunfire sounded immediately, and the woman collapsed without a sound. Kvezho, who did not have enough time to wake up, was killed right in his bed. The slain couple's son ran out of his room to the sound of gunfire; the assailants tried to kill him as well, but by some miracle the boy survived.

These and other numerous score-settlings graphically prove the heightened public danger of the "bosses" association and its ideology. However, this is only one of numerous sides of criminal activities of the "bosses" as ideologists of the criminal world.

We see increased public danger not only in this.

The "crime bosses" association is multinational: 33.1 percent are Russians, 31.6 percent—Georgians, 8.2 percent—Armenians, and 5.2 percent—Azeris; the remaining 21.9 percent include Kurds, Mengrels, Abkhaz, Uzbeks, Kazakhs, Ukrainians, and some other nationalities. In this connection, it is not accidental that there is common perception in the criminal world of "bosses" internationalism in carrying out various criminal tasks in both the near and far abroad, which considerably facilitates the activities of the criminal community. I think that the ability to adapt to the conditions in other states, where these criminal arrive, is easy to explain.

The confrontation that exists to a certain degree between Russian and Caucasian "bosses" stems mainly not from ethnic differences but from a disagreement with respect to approaches to the understanding of criminal mores and traditions, that is, on ideological grounds. For instance, Caucasian "bosses"—as a rule, Georgians—allow accepting into the "bosses" caste new criminals upon payment of a certain monetary sum into the "kitty." The Russian association criminals object to it, basing their counterarguments on the fact that a candidate must earn the award of this negative title by a spotless "bosses" life, as it had always been. It is not accidental that some Russian "bosses" contemptuously call Georgian "bosses" cheap moneymongers.

As we can see from the analysis, the greatest number of "crime bosses" in the criminal international community are Russians and Georgians. While the former are the

successors of the professional criminals of the pre-October Russia, the latter are the result of the large-scale propaganda of "bosses" customs and traditions in Georgia in the 1970's-1980's, during the so-called period of stagnation in the USSR.

In the 1980's-1990's, before the disintegration of the USSR, several "bosses" congresses were held in Georgia. The authorities, including law enforcement organs, created no obstacles to this large-scale criminal event. This also contributed to further spread of "bosses" ideology and increasing the ranks of "bosses" movement.

The image of the "crime boss" was becoming increasingly more romanticized. Among the population, especially among the youth, there was a perception of a "boss" as a noble robber and even a "knight in a shining armor."

It is a known fact that some "bosses" became candidates and even doctors of science—as a rule, for money, the same way some criminals became "bosses." Academic degrees opened the doors for the "bosses" into the higher spheres of authority. All of this strengthened the criminals' position in the society. In some areas of Georgia, "crime bosses" had the status equal to that of secretaries of communist party's rayon committees or militia chiefs.

Criminal customs and traditions were making their way into the activities of state and economic organs. Blackmail, extortion, criminal score-settling with bombings and shootouts became a norm of public life.

Unfortunately, such trends began to emerge over the past decade in Russia, but not only in "communities" and "bosses" congresses, but also in the direct ideological brainwashing of youth by "crime bosses" and their cohorts. This is obvious both from regular everyday and operational-investigation information, as well as information coming from the criminal world—for instance, from "bosses" correspondence, "memos," and "circulars."

"Explain to the juveniles," says in one of the "circulars" a "crime boss" nicknamed Abrek, "that they absolutely do not know how to behave themselves; they have their own laws, and this is wrong. They live in our house, where there is only one law."

The criminal world of Petersburg never recognized "crime bosses" as especially dangerous leaders of the criminal world. Currently the criminal forces in the city gradually are being absorbed into the sphere of influence of the "bosses" movement.

In 1993, the city was regularly visited by a "boss" nicknamed Yakutenok ("Little Yakut"). As a result, he acquired supporters—several large gangster groups.

In the beginning of 1994, members of Petersburg's regional administration for combating organized crime in the course of an active operation of neutralizing criminals, who were trying to extort several million

rubles from a wealthy Georgian merchant, detained his compatriots, "crime bosses" Tomaz, Avto, and Nuzgari.

Over the period of several decades, the criminal world of Astrakhan, Yaroslavl, Kaluga, Kostroma, Tambov, and a number of other regions was not under the influence of "crime bosses;" in 1992-1993, however, the "bosses" association subjugated the main criminal groups in the aforementioned cities and took under its control almost all categories of criminal business.

Thus, we have to recognize the "bosses" expansion in the north and center in Russia and the Volga region.

It would be expedient to note the main trends taking place both inside the "crime bosses" association and outside it, that is, make a certain criminological forecast. One such trend we just described. Next, we should note the growing corruption in state structures by "bosses" associations. Strengthening ties with criminal organizations abroad. Further penetration by the "bosses" movement of the business and economic life of the country. Intensification of the confrontation between Russian "bosses" and the Caucasus region "bosses." Increasing disagreements and conflicts between the supporters of old and new, reformed "bosses" customs and traditions.

The aforementioned socially negative processes assume further criminalization of the society, strengthening nihilist views on the system of law and order and, hence, Russian statehood, with all attendant consequences of Latin American scenarios.

#### Precious Metals Committee Implicated in Vaynberg Affair

944F1370B Moscow *SEGODNYA* in Russian  
20 Aug 94 p 1

[Article by Mikhail Leontyev: "The Normal Soviet Lack of Bounds"]

[Text] Lev Vaynberg, a well-known businessman who was arrested on 10 August, continues to reside in a Lefortovo special investigative detention center. He has been officially charged with giving a bribe in the form of a gold chain to an insignificant customs employee. Both Mr. Vaynberg and the employee herself (whom no one plans to arrest) deny this unfounded accusation. Lev Vaynberg is a man of extremely high status in Russian business: He is the deputy chairman of RSPP [Russian Union of Industrialists and Entrepreneurs] and a member of the Russian Federation president's Social Chamber; he headed the USSR Association of Joint Enterprises for a long time. In a country where a one-time bribe of a million dollars is an everyday affair at a certain administrative level and where herds of lobbyists and officials favored by them roam the corridors of practically all ministries and departments, the accusation made against Mr. Vaynberg should have evoked Homeric laughter. However, no one wants to laugh, because it is quite evident that the approval for Mr.

Vaynberg's "work" and the application of a more than inadequate form of punishment was given at a very high level. These gentlemen do not at all need Mr. Vaynberg: As usual, they have universal politically big ideas.

Mr. Vaynberg's firm, Solev-Menedzhment, engaged in the collection and export of computer waste for the purpose of extracting precious metals from it, especially gold. Since opportunities for utilizing electronic equipment are absent in Russia, this work had to be done abroad. The question of why the company exported waste but did not import the gold back was outside the competence of the investigators. The Committee on Precious Metals and Precious Stones had authorized Solev-Menedzhment to do this. The leadership of the Committee on Precious Metals and Precious Stones, Ministry of Finance, Ministry of Foreign Economic Relations, etc., had signed all the appropriate documents and were surely in on it. The arguments, including those getting into the made-to-order publications in the press, "about the export of national property" are amateurish demagogic that demonstrates the chronic sickness of the Russian detection of criminals inherited by it through the Soviet umbilical cord—a police approach to economic matters.

It is already no secret now to anyone that the Messrs. investigators, who have received high approval, are "digging" under the management of the Committee on Precious Metals and Precious Stones and personally under Yevgeniy Bychkov. They announced quite frankly to Lev Vaynberg: "Give us Bychkov, and we will let you out." The complaints that can be levied against Mr. Bychkov, his deputy Mr. Kotlyaru, etc., are a separate question; in any event, all previous attempts to pick off Mr. Bychkov have ended in failure. Our detectives are too weak to "cultivate" Mr. Bychkov himself, and yes, they lack the intellect. That is why it was possible to put an elderly and sick person, a "private trader" representing the commercial structure, into an investigation isolation cell in accordance with a ridiculous charge; according to the deep convictions of the Messrs. investigators, the commercial structure is completely defenseless, and they will slowly "break" him there. They can take their time: the previous masters of Lefortovo could detain people for preliminary investigation for three years, if they liked, constantly extending the time until the individual was broken.

Our investigators and procurators are pathologically not capable of investigating economic situations that are outside the limits of a political economy textbook for technical secondary schools. Let us recall how Mr. Gdlyan investigated the grandiose "Uzbek affair" concerning embezzlement. He did not bring to light a single kopek of what had been stolen, nor did he try. Only bribes, bribes, bribes.... No great intellect is needed here, especially if "high approval" exists: Gather investigators, develop evidence. The "Uzbek affair" fell to pieces since no one essentially investigated it. However, nothing has changed in the tactics of the economic

chastisers. It is understandable that if Mr. Vaynberg is let out, the whole "idea" will collapse.

The problem, however, is that Lev Vaynberg and Mr. Bychkov were not even clearly symbols and could not be useful at all to the investigators. As soon as this sad circumstance becomes evident, the investigators will begin to save the honor of the uniform and untwist something like the above-mentioned "gold chain."

The little mistake here lies in the fact that today is not 1980, and that Lev Vaynberg is not a pitiable "private trader," as our criminal detection kings (who confiscated \$1,000 and a pair of chains and earrings from him during the search) assume. He is no swindler like Mavroli. Vaynberg is a figure in the world of reliable Russian business, and the normal corporative solidarity of entrepreneurs should force the zealous detectives to be unfaithful to their professional habits. If something should happen to Lev Vaynberg, whose health requires a strict diet, they should know who will answer for this.

Concerning the political appraisal of the demonstrated diminished responsibility of law enforcement agencies regarding the completely valid demands to change Lev Vaynberg's preventive punishment, these actions are a public slap in the face to the president, graphically demonstrating how and for what purposes people who have been called upon to ensure the protection of law and order can use his "anti-gangster" edict.

#### Zaveryukha Insists Food Imports Unnecessary

944F1370A Moscow *SEGODNYA* in Russian  
20 Aug 94 p 3

[Article by Gleb Cherkasov: "Aleksandr Zaveryukha Insists on Rejecting Food Imports: Statistical Data Does Not Testify in His Favor"]

[Text] Aleksandr Zaveryukha, a deputy prime minister in the Russian Federation Government who had made an official visit to his native Orenburg Oblast, stated yesterday that the 3 trillion rubles that the budget had provided for purchasing agricultural products and granting credits to the agro-industrial complex, "have already been earmarked by Russia's Government and will be received by the peasants within the next few days." In Mr. Zaveryukha's opinion, the mentioned funds will promote the receipt of a harvest, which "will satisfy the country's basic requirements for food." In particular, Russia will—in the deputy prime minister's words—harvest 90-95 million tonnes of grain in comparison with last year's 99 million tonnes. In the deputy prime minister's words, this will provide an opportunity to "give up its importing completely." Aleksandr Zaveryukha pointed out that Russia "needs neither financial nor food assistance."

At the same time, in the words of Ivan Gridasov of the Russian Federation's main administration for agricultural plant-growing, Russia is lagging behind last year's grain harvesting rates considerably, having harvested 13 million hectares of grain at the beginning of this week, as opposed to 16 million hectares on the same date last year, with an average yield of 23 quintals per hectare as opposed to 25 quintals per hectare a year ago. Mr. Gridasov pointed out that Russia will be able to harvest with favorable weather conditions 89-90 million tonnes of grain this year in comparison with 99 million tonnes last year. In Mr. Gridasov's opinion, the reasons for the harvest shortfall are the weather conditions and the poor financial condition of agricultural enterprises. Poor equipment support was especially noted. Concerning other agricultural crops, Russia will harvest 33-36 million tonnes of potatoes this year in comparison with 37.6 million tonnes in 1993; large agricultural enterprises will provide only 4-4.5 million tonnes, and small private farms will supply the rest. It is necessary to point out that Russia's requirement for potatoes is estimated at 35 million tonnes. The sugar beet harvest will be only 19-21 million tonnes this year in comparison with 25.5 million tonnes last year and the 28.7 million tonnes that the country received on the average during the last five years.

However, definite problems are arising even with the harvest grown and collected. As the Roskhleboprodukt federal contract corporation, which is the state's agent for purchasing grain, reported to INTERFAX, the producers of agricultural products are still practically not selling grain to federal and regional funds, because of the purchasers' lack of assets. Previously, Russia's main grain region producers had concluded four regional agreements on coordinating grain prices with Roskhleboprodukt and the Ministry of Agriculture and Food. These documents set the average level of the recommended prices at a compromise level of R217,000 per tonne. According to some estimates, the cost of grain in Moscow could reach R350,000 with such a price level. This exceeds the world price by 1.5-fold. At the present time, individual grain transactions in the free market, including last year's harvest, are being completed at an average price of R160,000-R170,000 rubles per tonne.

In his turn, Boris Yeltsin, while in Rostov-na-Donu, said that the "Russian Government has, on the whole, fixed the purchase price of grain" at R150,000-R160,000 rubles per tonne. Nevertheless, the president recognized the presence of "several disagreements between individual Russian regions regarding the question of grain purchases." It is curious that Vladimir Chub, the head of the Rostov administration, referring to a telephone conversation with Viktor Chernomyrdin on 16 August, said that an agreement had been reached on selling Rostov grain for R190,000 per tonne.

**Data on July Rates for Consumer Services**

944E1157A Moscow DELOVOY MIR in Russian  
18 Aug 94 p 5

[Unattributed article under the rubric "Statistics": "Change in Prices and Rates of the Main Forms of Paid Public Services in July 1994"]

**[Text] The Center for Economic Conditions under the government of the Russian Federation reports that according to weekly price monitoring data of state statistical agencies for July:**

—The prices and rates of paid public services increased by 15 percent during the month, and by 4.4 times since the beginning of the year;

—Over the last two months, the rate of growth of prices and rates of paid public services was practically three times higher than the change in consumer prices of food and industrial goods;

—A multiple increase in charges for hot water supply and gas supply, and of apartment payments in certain Russian cities, and the universal increase in rates of the services of notary offices had a significant influence, increasing the prices and rates of paid public services.

**Data of greater detail are presented below.**

1. Prices and rates of paid public services changed in July by 15 percent, and by 4.4 times since the beginning of the year. Similar growth of prices in the sphere of services was observed in February and March of this year, when the average weekly change in the prices and rates of paid services (3.4 percent and 3.1 percent respectively) was practically equal to the July value (3.2 percent).

Growth of the prices and rates of services in the past month predetermined the change in the prices of food (3.2) and nonfood goods (4.4 percent), and in inflation (5.1 percent) as a whole.

2. The largest increases in prices in July were for hot water supply (38.4 percent), gas supply (36.8 percent), the services of notary offices (36.6 percent), long-distance telephone calls (27.7 percent) and apartment payments (20.1 percent).

The cost of long-distance and suburban train rides hardly changed. Universal increase in the price of the services of notary offices, adequate to the increase in the minimum wage, was noted in the course of the month. The most notable increase in prices of almost all types of services under observation occurred in

the first weeks of the month. Thus, steady growth of apartment payments is continuing in the municipal housing fund. Apartment payments have remained at a level of approximately 10 kopecks per square meter of total space in only 14 of the 130 cities under observation.

The largest increases in comparison with December of last year were for apartment payments (by 10.4 times), charges for hot water supply (by 9.2 times), and the cost of a ride on urban (by 5.8 times) and suburban rail transportation (by five times). The least growth in prices since the beginning of the year was observed for services of notary offices (by 1.4 times), charges for gas supply (by 1.6 times) and tailoring services (by 1.8 times).

3. In Moscow, the prices and rates of paid public services increased by 5.4 percent in July. This increase occurred primarily at the beginning of the month, and it was the result of an increase in the cost of long-distance telephone services (by 2.2 times), of children's preschool institutions (by 1.4 times), and of some forms of health and personal services.

In St. Petersburg, the prices and rates of paid public services grew by 9.7 percent in the past month. Long-distance telephone services increased in cost most of all in this city (by 2.6 times). The residents of St. Petersburg have started paying more for sanatorium passes (22.1 percent) and for some forms of health and personal services.

4. Significant differences persist in the prices and rates of the same services in different Russian cities. The maximum differences are observed in the amount paid for 1 square meter of total space in homes belonging to the municipal housing fund—a difference of more than 3,000 times (from 8 kopecks in Lipetsk to 255 rubles in Surgut), in hot water supply per person—744 times (from R3.36 in Tayshet to R2,500 in Magadan), and in gas supply (from R10.87 per person in Izhevsk to R864 in Yakutsk)—80 times.

Cities of the Far Eastern economic region remain the most "expensive" in terms of the quantity of services offered at the maximum prices: Maximum prices were observed for 11 out of 25 forms of services under observation in Petropavlovsk-Kamchatskiy, for 10 in Magadan, and for 9 in Yakutsk and Yuzhno-Sakhalinsk. The most "expensive" oblast in the Siberian region is Tyumen Oblast, and in the Northern region it is Murmansk Oblast. Moscow is among the 10 most "expensive" cities in relation to five forms of paid public services, while St. Petersburg is in the top 10 in relation to one.

**Average Weekly Indexes of Inflation and Prices of Paid Public Services (in percent)**

	Paid Public Service Price Index	Inflation Index
	1994	
January	111.4	104.9
February	103.4	102.4
March	103.1	101.9
April	109.3	102.2
May	102.4	101.8
June	102.6	101.1
July	103.2	101.1

**Top Cities in Relation to Maximum Prices and Rates of the Main Forms of Paid Public Services in July 1994**

Representative Services	Unit of Measurement	Maximum Price for the Service (in rubles)	Top Cities
Private tailoring	1 article	100,000	Magadan
Dry cleaning and dyeing	1 article	26,700	Vorkuta
Laundry services	1 kg	3,800	Novyy Urengoy
Bath and shower services	1 ticket	4,350	Moscow
Hairdressing services	1 haircut	17,000	Yuzhno-Sakhalinsk
Shoe repair	1 pair	11,700	Khabarovsk
Motor transportation services	1 ticket	400	Yuzhno-Sakhalinsk
Suburban rail transportation services	1 ticket	2,750	Syktyvkar
Long-distance rail transportation services	1 ticket	5,000	Vladimir
Long-distance telephone services	1 minute	1,857	Izhevsk
User telephone charge	1 number	8,000	Surgut
Hotel services	1 person in a double-occupancy room	44,000	Yuzhno-Sakhalinsk
Apartment payment in the state housing fund	1 square meter of total space	25.5	Surgut
Gas supply	per person	864	Yakutsk
Hot water supply	per person	2,500	Magadan
Electricity supply	1 kw/hr	50	Pskov
Child care services in preschool institutions	1 child/day	3,333	Norilsk
Services of cultural institutions	1 ticket	3,000	Cherepovets, Perm, Barnaul, Yakutsk
Public health services (ultrasound analysis, diagnosis)	1 examination	35,000	Magadan
Trade union sanatorium	1 bed/day	70,833	Yuzhno-Sakhalinsk
Vacation home	1 bed/day	53,889	Pskov

**Change in Average Prices and Rates of Paid Public Services in July 1994 (in percent of preceding records)**

	5 July	12 July	19 July	26 July	Whole Month
Total for paid services, to include:	107.9	102.0	103.1	101.3	115.0
Private tailoring	101.2	101.2	101.6	101.3	106.1
Dry cleaning and dyeing	103.2	101.4	103.0	101.4	109.9
Laundry services	106.0	101.9	101.9	100.6	110.2
Bath and shower services	104.1	101.3	101.7	101.8	109.8
Hairdressing services	105.0	101.9	101.2	101.5	110.7
Shoe repair	103.7	100.9	101.7	101.0	107.9
Motor transportation services	111.5	100.8	101.9	102.9	118.1
Suburban rail transportation services	100.0	100.6	100.6	100.6	102.3
Long-distance rail transportation services	100.4	100.2	100.4	100.0	101.0
Long-distance telephone services	117.2	103.7	102.6	101.5	127.7
User telephone charge	112.3	101.1	102.3	100.0	115.9
Hotel services	102.9	102.7	100.9	101.1	108.5
Apartment payment in the state housing fund	112.3	102.6	105.3	100.3	120.1
Gas supply	135.5	100.9	100.1	100.0	136.8
Hot water supply	115.0	106.9	114.3	101.1	138.4
Electricity supply	107.1	105.0	103.0	100.3	116.3
Child care services in preschool institutions	107.3	101.6	102.8	101.5	114.6
Services of cultural institutions	102.5	101.9	101.9	100.9	107.9
Public health services (ultrasound analysis, diagnosis)	103.4	103.4	102.8	102.3	113.9
Trade union sanatorium	112.2	102.6	100.6	100.0	115.5
Vacation home	110.5	101.1	102.1	101.6	116.5
Notary office services	125.2	106.8	101.1	100.7	136.6

**Association of Russian Banks on Banking System Development**

944E1158A Moscow EKONOMIKA I ZHIZN  
in Russian No 34, Aug 94 p 7

[Interview with Vyacheslav Sergeyevich Zakharov, vice president of the Association of Russian Banks, by T. Vitvitskaya; place and date not given: "Rail Cars as a Means of Payment... For Much Longer?"]

[Text] As the Russian economy develops, the role of commercial banks increases. Having persuaded themselves of the seriousness and irreversibility of the Russian reforms, financiers are already thinking about their long-term interests. Various associations of credit institutions are providing them assistance in this. Today our correspondent interviews a representative of perhaps the most serious and authoritative banking association—the vice president of the Association of Russian Banks, V. Zakharov.

[Vitvitskaya] Vyacheslav Sergeyevich, can you tell us what the Association of Russian Banks is doing now? What problems is it addressing?

[Zakharov] The ARB [Association of Russian Banks] sees promoting the development of the banking system as a whole and solving specific problems of banking activity as its main task. Our specialists are always ready to provide consultative support to commercial banks.

Each day the association is visited by representatives of various member banks of the ARB, who share their woes and problems. And the latter are very diverse, sometimes difficult to solve, and occasionally simply insoluble. A certain banker acquainted me with an interesting situation this week. Things being the way they are, one of his borrowers found himself in a difficult financial situation (unfortunately this is a rather common thing today), and he offered to repay his loan to the bank 'not in money but in commodities—new rail cars. The bank agreed when it

was revealed that another client would agree to take these same rail cars as credit. He would then use them to pay off his debt to the railroad. Thus, the rail cars served as a means of payment. On the whole, it would seem that the situation was resolved at this stage to the satisfaction of all parties. I feel that the bank was lucky, because another client might have nothing to offer as a means of repaying a loan. This case once again emphasizes how abnormal our economy is, where goods—rail cars in this case—travel such a long winding path to the railroad.

Many banks have now found themselves in a rather difficult financial situation in connection with massive defaults on previously granted loans. Some banks found themselves in such a situation because of the incompetency of their specialists, who pursued an adventuristic credit policy. But there are a number of banks threatened by bankruptcy for causes out of their control. When a client enterprise or another bank fails to repay a loan, the bank can be accused of unreasonable selection of a partner. But what are you going to do when the state fails to execute its obligations? This is especially typical in regard to preferential loans granted to enterprises of the agro-industrial complex. The state promised to cover the difference to the banks for the preferential interest rates they offered on these loans, but in reality it has not done this. This is not to mention the fact that the loans themselves are not being repaid.

Or in another case, the Tovnarbank [not further identified] recently came to us (the conflict between it and the government has already been discussed in the press). The court decided to collect the debt from a clearly insolvent borrower, and the government, which had given a guarantee, could not be made a party to the action because the borrower had not been legally established. The Tovnarbank has no complaints against the state from a legal standpoint. But what about from the standpoint of business ethics? After all, by evading fulfillment of its promises, the state (represented in this case by the Ministry of Finance and the State Committee for the Management of State Property) loses respect among commercial banks, and that is something worth much more than the amount the state refused to return. Need we now be amazed that commercial banks are apprehensive about granting loans to "priority government programs"?

The Association of Russian Banks submitted an initiative to the Central Bank of the Russian Federation in connection with growth of the danger of mass bankruptcies of banks due to the wave of credit defaults. I feel that the Central Bank must sort things out objectively with banks experiencing financial difficulties, and "separate the wheat from the chaff." Without a doubt, if a bank is at fault for the difficult financial situation in which it finds itself, it must bear the responsibility. But, if the situation arose at the fault of state agencies, a different approach should be taken. Unfortunately, bankruptcy is an inseparable attribute of a market economy. And we will hardly be able to avoid it among banks, but we must analyze each case more carefully.

I sent a letter to the Central Bank of Russia with specific proposals on how to resolve this situation. In particular, I propose examining the financial position of banks not secretly in the main administrations of the Central Bank, but with the participation of representatives from the Association of Russian Banks and other banking associations.

[Vitvitskaya] The problem of the reliability of commercial banks is being actively discussed in the press. What is the point of view of the ARB in this regard?

[Zakharov] I would like to touch upon the problem of insuring bank deposits in this connection. Quite recently, when up to 90 percent of the private deposits of the population were held by the Savings Bank, and were guaranteed by the state, this problem did not exist. However, the situation is changing rapidly today, and more and more of our citizens are taking their savings to other commercial banks. We are now working on a concept of bank deposit insurance, because we know quite well that in the case of bankruptcy of the banks, the shock effect felt by depositors will be greater than that experienced by shareholders of the MMM Joint-Stock Company.

This concept must be developed and implemented as quickly as possible: Delays harbor serious financial and social complications.

[Vitvitskaya] What in your opinion are the most urgent problems in banking activity today?

[Zakharov] Different banks naturally have different problems. For example, the frequency with which banks come to us in connection with their eviction from the buildings they occupy has recently increased. This pertains primarily to former specialized banks. As we know, today they lease premises maintained on the balance sheet of the Central Bank. The local practice is to sign leases for only one year, and then they are extended usually for less space. It is no secret that small banks cannot quickly build new buildings on their own for offices and for work with clients, and not only out of financial considerations. I side with the opinion that the State Committee for the Management of State Property should play the role of the owner of the buildings of former state specialized banks. In this case, the problem could be solved by auctioning off the buildings, with the banks occupying them having the option to buy.

Here is another recent example characterizing the problems encountered by banks in their daily activity. A representative of a certain peripheral bank came to us for consultation. The local tax police demanded information on the accounts of all private depositors (the bank has over 25,000). The reason given for this was the need for fulfilling the presidential edict on fighting crime, which supposedly rescinded bank secrecy. Because information was demanded on all clients, and not specific ones, and without the permission of the procuracy or judicial

bodies, the bank refused to provide the information and received a stiff fine. We are now helping the bank to resolve the conflict.

In order to help bankers avoid such situations, the ARB is actively conducting various sorts of consultations and seminars. Two conferences were conducted on the subject "Banking Affairs in Russia." Our foreign colleagues took part in its proceedings as well. Preparations are now being made for a third conference, to be held in December.

We are actively cooperating with the mass media, because we feel it necessary to transmit the opinion of commercial banks on the situation in the country to the population and to the government. We need to promote a proper understanding of the conditions and principles of the activity of commercial banks, and economic publications are providing us invaluable assistance in this regard. A large role is also being played here by the need for creating a proper image of banking structures in the eyes of Russian citizens.

[Vitvitskaya] Is the ARB working with regional banks?

[Zakharov] The association is actively collaborating with regional banking associations, for example with the Bolshaya Volga Association in Samara, and with banking associations in St. Petersburg, Voronezh, Rostov-on-Don, Bashkiria, Tatarstan, and other regions. We invite their leaders to our congresses and councils. Joint discussion of the most acute problems of banking activity plays a very large role in shaping the overall position. We maintain business contacts with the Rossiya, Rus, and Energiya associations. We are not rivals—we are colleagues, and we share common problems and one goal—the good of our member banks and of the entire banking system as a whole.

The ARB is establishing relations with associations of foreign banks as well. The Ukrainian Bank Union and the Bulgarian Association of Commercial Banks may be mentioned among our partners. We also make exchange business visits with the banking association in Switzerland, we have conducted negotiations with a certain association of Italian banks, and we have met with associations of English bankers.

[Vitvitskaya] A new version of the Law on Banks and Banking Activity will be brought up for its second reading in October. In what way is the ARB participating in preparation of the new banking legislation?

[Zakharov] Most directly. I helped to draft this law within the framework of a group of experts created under the Duma subcommittee for banking legislation. A working group has now been established to prepare amendments to tax legislation under the leadership of A. Shokhin. The president of the Association of Russian Banks, S. Yegorov, is taking part in the commission's work. We are trying to make sure that truly civilized legislation is drafted.

## Data on Sale of Nonconsumable Goods for 1993-1994

### Light Industry Near Collapse

944E1148A Moscow TORGOVAYA GAZETA  
in Russian 9 Aug 94 p 3

[Article by L. Tsvetkova and L. Gavrilova under the rubric "Fabrics, Clothing, Footwear": "Foreign Fashion Has Become Accessible...But Our Own May Disappear Because Our Light Industry Is on the Brink of Collapse"]

[Text] Our institute estimates that in the first half of 1994 light industry produced 38 percent fewer articles than in the first half of 1993. There was a substantial cutback in centralized purchases of imported fabrics, clothing, and footwear, which also tended to diminish the supply of goods on the market. At the same time, goods have continued to arrive in substantial quantities through commercial structures and unorganized imports from the countries of the near and far abroad. According to expert evaluations of Goskomstat [State Statistics Committee], two-thirds of the unorganized flow consists of trade conducted by individuals, while one-third is the result of incomplete records and understatement of turnover in enterprises.

The unorganized market (unrecorded turnover of enterprises, street trade, imports into Russia, and sale of goods by individuals, and so on) is having an adverse effect on the performance of enterprises in the industrial and trade sectors by diverting a sizable amount of money and obstructing its normal circulation; foreign exchange is consequently exported from the country, and this is contrary to the principles of free competition, because it takes place outside the framework of current tax legislation.

The market for the goods of light industry is determined at the present time by the following tendencies:

- growing decline of domestic production;
- a slowing down of the sales of most goods;
- increased saturation of the market with fabrics and basic items of clothing and footwear for the adult population;
- insufficient supply of children's goods;
- increased differentiation of public demand;
- continuing rise of prices, although the rate of that increase is slowing down somewhat.

### Production

The principal influence on the market for fabrics, clothing, and footwear is being exerted by the unceasing decline in the production of light industry. In the first half of 1994, a more intense drop in the production of

most commodity groups was observed than in 1992 and 1993. This is indicated by the figures given in the table.

**Production of the Most Important Goods of Light Industry**

	First Half of 1993 (in percentage of first half of 1992)	First Half of 1994 (in percentage of first half of 1993)
Fabrics	58	67
Cotton	49	85
Linen	78	48
Woolen	71	41
Silk	82	39
Nonwoven	75	43
Knitwear—total	64	67
Children's alone	54	72
Hosiery	82	68
Children's alone	60	51
Footwear—total	63	46
Children's alone	44	42

Whereas, in the previous two years, one of the principal reasons for the drop in the output of goods was that enterprises in the sector were not furnished the raw materials, at the beginning of 1994, marketing domestic products became an acute problem. Difficulties in selling goods have been forcing producers to find new forms and strategies for interaction with customers, specifically: reducing wholesale prices, shipping goods on terms of payment in 30 to 40 days, and payment as sales are made. In a number of cases, industrial enterprises have opened stores to sell their own products at prices lower than in retail trade. Steps have also been taken to sell goods that have accumulated in enterprise warehouses by establishing preferential local taxes and levies.

The enterprises of light industry are now in a critical situation. The productivity of labor is continuing to drop, the depreciation of capital assets averages 40 percent, and at certain enterprises it is still higher. Only 10-25 percent of all equipment meets present-day technical requirements. There have been sharp drops in deliveries of imported manufacturing equipment and replacement parts. Enterprises in the sector do not have the financial capability to renew capital assets, because most of their profit goes to pay high taxes.

The unmanageable tax burden is resulting in chronic insolvency of commodity producers. At the outset of 1994, the volume of delinquent indebtedness to suppliers in light industry as a whole reached R204 billion, which was 37 percent of the total amount of indebtedness to suppliers. Delinquent indebtedness of customers constituted 41 percent of the total volume of indebtedness.

Over the period January-June 1994, enterprises and production units in light industry continued to be shut down. Shutdowns and losses of worktime occurred to a greater or lesser extent at 1,000 enterprises. The main reasons for the shutdowns are difficulties related to sales and the insolvency of consumers (50 percent of the shutdowns) and the lack of raw materials and supplies (45 percent). Such enterprises as the AO [joint-stock company] Velikiye Luki Flax Combine, the TOO [limited liability partnership] Tver Manufacturing, Ulyanovsk Cloth Factory, etc., have shut down completely.

It has become unprofitable for enterprises to manufacture products for children. For instance, the Moscow PShO [garment production association] Smena has all but stopped making children's woolen pants, and the MP [local enterprise] TOO Burevestnik children's sandals. Children's footwear is no longer made by the Krasnoyarsk firm Ionessi, the Rostov firm Malysh, the AO Donobuv, the Syzran Footwear Factory, or the Oktyabr Footwear Factory in Ufa. In Yekaterinburg, the output of children's garments has been cut back by all the garment factories in operation.

#### Sales

Because of the drop in demand, sales of goods of light industry dropped off in the first half of 1994, as compared to the same period of 1993: clothing and underwear almost 30 percent, footwear and hosiery 21 percent. There has been a substantial increase in the sale of silk fabrics—36 percent, which is related to increased sales of silk dress fabrics and decorative imported fabrics of synthetic and modified fibers (shades and drapes). Demand has been stable for woolen fabrics and bed linen. Demand has picked up for spring and summer clothing and footwear: raincoats and unlined jackets, suits, and summer footwear.

The volume of merchandise inventories in the trade sector as of 1 June 1994 had risen over 1 June 1993: 1.5-fold for silk fabrics, 1.4-fold for clothing and underwear, and 1.3-fold for knitted garments and woolen fabrics.

	Sales First Half of 1994/First Half of 1993, %	Inventories (in days)	
		1 Jun 93	1 Jun 94
Cotton fabrics	100	62	68
Woolen fabrics and shawls	72	69	92
Silk fabrics	136	48	70
Clothing and underwear	70	72	101
Knitwear	80	63	84
Hosiery	79	38	42
Leather and cloth footwear and a combination of both	79	57	87

The slowing down of sales of products of light industry has occurred because of the drop in the purchasing power of the public, the sharp drop in production, and the rise in the competition that domestic goods are getting from the developing market of imported goods.

The decline in purchasing activity is in turn a consequence of redistribution of expenditures in the family budget. Larger expenditures are going for food, consumer services, and utilities. The steady rise in the prices of the products of light industry have also helped to reduce demand for them. The development of private trade is helping to expand the volume of commodity supply. According to figures of Goskomstat, the public is purchasing 70 percent of all the clothing and knitted articles it buys on the personal property market, 40 percent of the footwear, and approximately a third of the hosiery.

To a considerable extent, the supply of the domestic market is made up of goods delivered from abroad. But articles of clothing and footwear arriving from China, Turkey, Korea, and Hong Kong are not distinguished by high quality. For instance, according to data of Gostorginspeksiya [State Market Inspectorate], 38 percent of imported hosiery and leather footwear checked were rejected, 32 percent of the sewn garments, and 68 percent of the knitwear.

Deliveries of imported goods to the domestic market have become more complicated when changes were made on 1 April 1994 in the procedure of settlement for imported products, including the 20-percent value-added tax, an additional 3-percent special federal tax to support sectors of the economy, the instability of the ruble, the rise in customs duties, etc. An adverse situation is also taking shape with deliveries of products of light industry from the countries of the near abroad—because there is no uniform system of mutual settlement.

#### The Supply to the Trade Sector

The inflow of goods, which is continuing at a greater volume, through commercial structures and unorganized imports is saturating the market with clothing and footwear. Monthly observations of the condition of the trade sector indicate a rapid rate of supply of these goods to

stores. The level of saturation of the trade sector with domestic clothing and footwear for adults, knitwear, hosiery, and fabrics of all kinds is also rising.

Domestic upholstery fabrics, sets of bed linen, men's woolen suits, cotton shirts, socks, women's cotton dresses, shorts, and woolen skirts have been on sale everywhere. The level of saturation with these goods was 100 percent in the first half of 1994. But at the same time, there is still a shortage of domestic knitwear manufactured from woolen yarn and blends, such as trousers, socks, panty hose, and stockings. Sales of men's and women's leather-sole shoes have been intermittent.

Just like last year, the level of supply to the trade sector of linen suiting and dress fabrics and napped bed linen remains low. A drop has been observed in the supply of domestically manufactured jeans to the trade sector.

As for imported goods, we note a high level of supply of women's dress shoes and men's running shoes to stores (100 percent), as well as men's cotton shirts.

At the same time, the situation has deteriorated in the trade sector with knitted outerwear because of increased irregularity in sales of turtleneck sweaters and pullovers from synthetic and bulky yarn. In the first half of 1994, trade enterprises had a poorer supply of these goods than a year ago.

The supply to trade of children's clothing and footwear, both imported and domestic, has increased insignificantly. Over the period January-June, sales were constant only for girls' dresses at the preschool and nursery school age, panty hose, socks, and knee-length socks. The level of supply to the trade sector of woolen dresses, boots, uninsulated boots, sandalettes, shoes for young children, preschoolers, and toddlers have dropped. As in the past, the trade sector is being poorly supplied with children's athletic uniforms and trousers, and all types of leather and composite-textile footwear.

The supply to the trade sector of products of light industry has been uneven from region to region in the country. The stores most saturated with domestic goods are in Volgograd, Yekaterinburg, Stavropol, Saransk, Rostov, and those in Volgograd and Kirov are best

supplied with imported goods. The level of domestic and imported goods on sale is low in Vologda and Irkutsk.

On the market for goods of light industry, the assortment of clothing and footwear still does not meet the demand of the public with respect to sizes, heights, styles, and prices. According to reports from market correspondents, in some cities (Yekaterinburg, Kirov, Irkutsk, Vologda), there have been shortages of men's raincoats and jackets in sizes 52-54, pullovers and turtleneck sweaters in sizes 54-56, knitted underwear in sizes 50-56, cotton athletic uniforms in sizes 44-46, girls' blouses in sizes 40-42, children's shirts in sizes 38-40, and children's athletic uniforms in sizes 36-40.

### Prices

In spite of the slowdown in the growth rates of prices in the first half of 1994, their level is still high and is an obstacle to growth of public demand.

The rise of prices of goods of light industry is being favored by high purchase prices of raw materials and components, the rising cost of energy, shipping costs, and rent.

The rise in the prices of children's goods this year was not so substantial and hardly exceeded the growth rate of prices of goods for adults (which occurred last year). Only in the group of children's footwear was there a faster increase (2.5-fold for the first half of the year, while it was twofold for adults).

The level of prices for principal articles of imported clothing and footwear in state, private, and commercial stores exceeds the level of prices of domestic goods by a factor of two, three, or more. For example, in June, imported silk dress fabrics cost 2.7-fold more than the domestic article, children's sneakers 2.9-fold more, women's support panty hose threefold more, running shoes for adults 3.5-fold more. The prices of goods offered on personal property markets and in direct sales between individuals are 15-30 percent cheaper.

Price levels of goods of light industry are still fluctuating considerably from city to city in the Russian Federation [RF]. Moscow, Yekaterinburg, Irkutsk, Krasnoyarsk, and Perm can be put among the "expensive" cities. And, in Volgograd, Samara, Tula, and Saransk, prices of many fabrics, clothing, and footwear are considerably lower. The coefficient of differentiation (price fluctuation) from city to city of the RF is 150-400 percent.

The change in the level of retail prices of clothing and footwear has occurred under the impact of the seasonal factor. In certain cities of the RF (Samara, Stavropol, Krasnoyarsk, Vologda, Barnaul), trade enterprises had postseason sales of winter clothing and footwear with 10- to 50-percent markdowns from the original price.

### Growth Rate of Retail Prices of the Principal Products of Light Industry (growth factor)

Product	First Half of 1993	First Half of 1994
Fabrics, clothing, footwear—total	3.1	2.5
including:		
Fabrics	3.0	2.7
Sewn garments	3.3	2.6
Knitwear	3.4	2.5
Hosiery	3.7	2.7
Footwear	3.2	2.2

By the end of the year, the growth of retail prices will be determined, as in the past, by the purchasing power of the public and by all the factors enumerated. Average monthly growth rates of prices are stabilizing, and for commodities as a whole they are 111-113 percent.

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So, these are the principal factors characterizing the state of the market for the goods of light industry.

The rate of decline of production has intensified, and this has resulted in a 15- to 60-percent cutback in the output of fabrics, clothing, and footwear, including a 28- to 58-percent cutback in the production of children's goods, as compared to last year.

Domestic producers retain priority in the formation of resources (60-90 percent of stocks of clothing, footwear, and fabrics are built up with domestic goods), in spite of the expanded supply of imported goods.

Problems have become more acute in marketing products, which is related to the increased insolvency and mutual indebtedness of suppliers and customers, the drop in the purchasing power of the public, and increased competition from imported goods.

The level of supply of the goods of light industry to the trade sector has increased relative to last year. Interruptions in the supply of certain goods to the trade sector have lessened—mainly because goods are turning over more slowly and stocks of imported goods are being replenished.

The rise of retail prices has slowed down.

Demand is being satisfied at a higher level for the principal articles of clothing and footwear for adults, while the satisfaction of demand has been at a lower level for children's goods.

There is still a differentiation in the adequacy of stocks and price levels for the products of light industry from region to region of the RF.

The operation of all these factors will determine the market for the goods of light industry in the future as well.

We can hardly anticipate a slowing down of the rates of decline of production for the rest of the year. According to a survey of specialists of 190 industrial enterprises in the RF, 68 percent of the respondents described the rate of reduction of the volume of production of the products of light industry as maximum, and they pointed to a further slump of production over the next two or three months, and 54 percent of the respondents noted a decline in the demand for their products and a growth of inventories.

Difficulties in marketing certain goods could become greater, and this will tend to reduce their production and bring about bankruptcy of the producers.

Most of the population will still be looking for domestic goods, which are cheaper.

We can anticipate a decline in the purchasing power of the population because wages are not being paid at many enterprises, expenditures in the family budget are being redistributed, and there is a growth of the army of the unemployed.

The problem of the supply of children's clothing and footwear to the trade sector will remain acute as it has been in the past.

### Decreasing Demand for Consumer Service Goods

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in Russian 9 Aug 94 p 3

[Article by V. Prokhina, S. Rogova, and G. Filimonovskaya under the rubric "Household Appliances, Furniture, Housewares": "Everything Is Available Now Except Customers; More Than 60 Percent of Russians Believe That Now Is a Bad Time To Acquire Durable Goods"]

[Text] Whereas last year there was a shortage of commodities on the market (when production was dropping at comparatively low rates), in 1994 market indicators have changed. Now a situation has arisen in which the growth rates of inflation have slowed down and the market is saturated with many goods in spite of the precipitous decline of production. It might be said that in 1993 the producer was mainly working for the market. Now, almost half of his products go unclaimed.

The features of a structural crisis have begun to be manifested with increasing obviousness: The scale of production is being determined to an ever greater degree by effective demand, not by potential resources. As shown by a survey of managers of industrial enterprises, the absence of demand has now become their most painful problem. It was mentioned as a factor holding back the growth of production at 80 percent of the enterprises. Almost 50 percent of the enterprises producing kultbytkhoz [cultural goods, household products, and housewares] products have above-allowance inventories.

The crisis in sales is compounded by the crisis with nonpayment, which has now exceeded R22 billion and reached the 1992 level. Whereas previously the enterprise had certain reserves for holding back the decline of production, now those reserves have been entirely exhausted. For example, this May downtime was noted at 5,002 enterprises, and 600 shut down completely. Sales difficulties were the reason for the downtime of 70 percent of the enterprises manufacturing building materials, 46 percent of those in the timber and lumber, woodworking, and pulp and paper industries, and 58 percent of the enterprises in machinebuilding. In those sectors, the decline of production since the beginning of the year has been 32-45 percent.

At the present time, the main blow of the limitations on demand has hit those producers who have not been able to adapt to the new structure of demand and to withstand the competition of imports. That is why the cutback or cessation of production of certain goods cannot be looked at solely from the negative viewpoint. In many cases, this is quite inevitable and could be a powerful incentive to fight for the customer, i.e., to refresh the assortment, increase the quality of the goods produced, and cut production costs.

The trade sector, whose financial condition has deteriorated sharply, is in a critical situation.

The situation is compounded by the uninterrupted rise of service charges and rents. For example, in Moscow the rent for nonresidential space occupied by enterprises on the consumer market has risen 17.5-fold over 1993. The share of expenditures for rent, along with utilities, represents as much as 80 percent of distribution costs, which is putting many enterprises on the verge of bankruptcy. Under those conditions, stores cannot meet the demands of suppliers for mandatory prepayment for expensive sophisticated goods, which also does not help in marketing them.

In the first half of 1994, the public showed no activity in purchasing kultbytkhoz products. Almost 30 percent of the population had income between R30,000 and R50,000 per month, which is not even enough for food. And 34 percent of the population had money income below R30,000 per month, not even enough for the subsistence minimum, so that they were also completely excluded from purchasers of kultbytkhoz products. The remaining 30 percent of the population with an income between R60,000 and R500,000 and the richest 10 percent can be considered purchasers of kultbytkhoz products, although the structure of purchases would differ from one of these groups to another.

The fact that population groups with an average income and the rich have begun to invest more money in noncommodity expenditures should also be taken into account. For example, in the first quarter of 1994, Muscovites deposited 10-fold more funds in accounts in the Russian Sberbank [Savings Bank] than in the first

quarter of 1993, and expenditures to purchase foreign exchange were 67-fold greater.

In the period January-June, there was stable demand mainly for refrigerators and freezers, whose sales were up nearly 30 percent over the first half of last year. Sales of television sets were down from a growth rate of 128 percent in the first half of 1993 to 95 percent in 1994. There has been an especially noticeable drop in sales of monochrome sets, which ended last year's trend, when the sale of monochrome sets grew faster.

The adequacy of the supply of many durables to families is at the level of the original acquisition. A survey of 3,000 inhabitants of Russia done by the All-Russian Public Opinion Research Center in May 1994 showed that the share of the population with a color television set, camera, and freezer dropped 2 percent from April 1993 to May 1994, and the share of the population that had none of the 12 durables listed on the questionnaire increased from 16 to 17 percent. More than 60 percent of the respondents said that this was a bad time to buy most durable consumer goods.

At the same time, the sophisticated appliances owned by the poor (mainly pensioners) are approaching complete physical wear (all these products owned by the rich are mainly new). Elderly people are simply unable to buy a new television set or refrigerator. Thus, the social phenomenon that is occurring is a dropback of consumption. And that means not merely a lower standard of living, but a sharp change in its quality—a decline.

We must note that the drop in the sales of a number of kultbytkhoz products (more than 30 percent for radios and detergents, 15 percent for toilet soap) resulted not because there was no demand, but mainly because of shortages of supply and the drop in the volume of domestic production.

In the current year, we note a disastrous drop in the output of many durables (over the period January-June, as a percentage of the corresponding period of the previous year):

	First Half of 1993	First Half of 1994
Refrigerators and freezers	113	80
Washing machines	107	52
Vacuum cleaners	103	40
Tape recorders	84	33
Radios	66	36
VCR's	70	39
Television sets	112	68
Color sets alone	105	67
Sewing machines	100	30
Motorcycles	92	57
Detergents	90	56

According to figures of Russian Goskomstat [State Statistics Committee], production of practically all kultbytkhoz products dropped off sharply between January and May. There was a 2.5-fold drop in the output of electric irons and wallpaper, a threefold drop in the output of bicycles for young people and children and baby carriages. Production of goods for which there is volume demand and the assortment of unsophisticated goods is dropping at a rapid rate. The output of detergents has dropped to almost half, shampoo has dropped to one-third, cast-iron and enameled cookware 2.5- to threefold, sewing machine needles and stainless steel razor blades 3.3-fold, and batteries have dropped to one-half.

The 50- to 60-percent drop in the production of domestic equipment occurred because enterprises have stopped making products that have not been in demand in recent years and will not be in demand in the future. In addition, that stratum of the country's population which the domestic producer thought of as his customer has been almost completely wiped out. For example, the production of television sets has fallen off 30 percent. The problem of selling the remaining 70 percent has not become less acute. The bulk of potential and actual customers prefer the products of foreign manufacturers, whose sales in Russia are growing steadily. Last year alone, Sony, Samsung, and Matsusita each sold more than \$100 million of electronic equipment through their representatives.

A high level of competition is being maintained on the market for household electrical appliances, although nearly 75 percent of the supply of these appliances is domestic. In the fight for the consumer, trading houses are lowering prices, selling goods on the installment plan, and conducting sales at reduced prices. There is a great deal of competition on the refrigerator market. For example, the Bosch firm alone is supplying 20 models of refrigerators to the Russian market between 32 and 366 liters in size (it produces nearly 200 models). The Minsk Refrigerator Plant has a nearly 30-percent share of the Russian market. This year, production of refrigeration equipment was off 20 percent, and there was an especially significant drop in the output of single-compartment refrigerators. The growth rates of production of freezers and double-compartment refrigerators have been dropping constantly this year. Refrigerators and freezers are made in Russia by 11 plants, most of which have not been paying wages to their staff for several months and are operating three or four times a week. A relatively stable situation is being maintained at the Stinol, Yuryuzan, Saratov, and Murom plants.

The situation is also complicated on the market for washing and sewing machines and vacuum cleaners, whose production fell twofold to 2.5-fold in the first half of 1994. This market has also lost its principal consumers (workers, employees, pensioners, and large families), which have now fallen from the group of average income into the group of the poor and needy.

On the whole, it can be said that the problem of selling domestic kultbytkhoz products is fraught with adverse economic and social consequences. Overproduction threatens a thoughtless structural disruption and could result in a structural and cyclical crisis at a time when there is no complete guarantee of a stable inflow of imported goods.

In spite of the decline of production, disruptions in the flow of kultbytkhoz products to the trade sector have been considerably reduced. This has mainly occurred because the turnover of goods has slowed down and the public's purchasing power is low.

On the basis of monthly observations of the trade in 160 kultbytkhoz products in the regions of Russia, we can say that the supply of resources to trade has improved by a third in the first half of 1994 over the level of last year. There is still a steady replenishment of stocks with imported goods, not only sophisticated products, but also ordinary ones (office supplies, household chemical products, clothing accessories, perfumes and cosmetics, dishes and cookware, etc.). But domestic goods still hold the dominant position on the market.

Although industrial enterprises have been experiencing difficulties with their sales, the availability of many goods has been irregular. The main reason is the critical financial situation of the great majority of commercial enterprises. About 80 percent of trade specialists selling building materials, paints and varnishes, school supplies, and orchard and garden supplies believe that the disruptions occur because of the lack of working capital and the requirement that prepayment be made for goods that are purchased. The trade sector is unable to guarantee prompt purchase of goods for which there is a seasonal demand and to punctually replenish current stocks. Although producers and suppliers of domestic and imported goods offer a wide assortment of products, the store assortment of many products is limited to one or two models. The trade sector is not taking the risk of purchasing many models and types of goods, because it is not assured of selling them since it does not know who its customers are.

Nevertheless, the stores of most cities surveyed are receiving an ever improving supply of goods. There is an almost uninterrupted flow of domestic goods to the trade sector in Yekaterinburg. Stores are being replenished in Volgograd, Saransk, Rostov-na-Donu, Tula, and Krasnoyarsk. The supply of imported goods is highest in Rostov, Volgograd, Yekaterinburg, and the lowest in Samara, Saransk, and Irkutsk. In June, there were disruptions in the trade sector in Kirov, Vologda, and Irkutsk. (Approximately 30-40 percent of the goods investigated were domestically produced.)

On the whole, the demand for kultbytkhoz products is described as moderate and stable.

In June, certain structural changes were noted on the market for home electronic equipment. Even though the

consumer was less active, saturation of the trade sector with domestic television sets, radios, and tape recorders dropped off noticeably. There was a drop in the already low level of supply to the trade sector of domestic VCR's, and their place has been solidly taken over by imports. Imported audio- and videocassettes, which are arriving for sale, are gradually displacing domestic cassettes. The assortment of imported goods is wider than that of domestic products. For instance, the average number of brands of color television sets in June was six for imports and two for domestics, for tape recorders and radio-cassette players four and two, respectively, and for audio- and videocassettes three and two, respectively. In Yekaterinburg, for example, the specialized store Oniks had 40 (!) brands of Japanese television sets on sale in June.

Given the shortage of supply in June, there was a drop in the level of saturation of the market with cameras and photographic supplies and motorcycles and bicycles; in addition, the seasonal demand became active. There were more frequent disruptions in the supply of photo enlargers and photographic film, both black-and-white and color. In the assessments of specialists, the demand for black-and-white photographic film is not being satisfied, and for all practical purposes it is available in stores one or two days a month on the average. In a number of cities, photo enlargers have not been available in stores for a year.

Motorcycles have been available in the trade sector in all cities practically without interruption. There has been a notable increase in the supply of adult bicycles as well. The public demand for bicycles has been rather stable in a number of regions, but in certain cities (Tula, Rostov) it dropped off somewhat between May and June.

At the same time, in June there was a drop in the level of supply of motor scooters and bicycles for adolescents in the trade sector.

The level of saturation of the trade sector with electrical appliances increased between May and June. There was no interruption in the availability of single-compartment refrigerators, freezers, small and semiautomatic washing machines, vacuum cleaners, electric irons, electric kettles, lighting fixtures, and ordinary lamps. The supply to trade has been approximately 90 percent for double-compartment refrigerators, automatic washing machines, electric meat grinders, electric teapots, electric razors, and electric ranges. At the same time, there were interruptions in the availability of microwave ovens, fluorescent bulbs, and sewing machine needles.

Public demand for furniture dropped off in June. The supply to the trade sector of domestic furniture remained at the previous level, while that of imported furniture dropped off. Domestic sets of upholstered furniture, sets for living room, bedroom, and kitchen, have been available without interruption. There have been more frequent interruptions in the availability of certain items—desks, chairs, armchairs that open into beds, and cribs: from 18 to 22 percent.

A small growth has been observed in the supply to the trade sector of goods in the unsophisticated assortment. There has been no interruption in the availability of shoe polish, plastic lids, clothespins, coat hangers, and toilet paper. At the same time, there have been larger interruptions in the flow of metal lids for home canning and wrapping machines. There have still been disruptions in the supply of strainers for sink and bathtub drains, and mop handles. In June, there was no change in the supply of clothing accessories. There have still been interruptions in the sale of safety razors and blade cartridges for them, hairpins, and pins, which were noted in one-fourth of all the cities surveyed.

The crisis in sales and the drop in purchasing power in the first half of 1994 resulted in a substantial slowing down of the growth rates of prices of many kultbytkhoz products.

Whereas, in the first half of 1993, retail prices of kultbytkhoz products rose 3.34-fold, in the first half of 1994 the rise was 2.5-fold. Prices dropped at a faster pace in the second quarter of 1994, and in June their growth was 12 percent, as against 25 percent in June 1993, while the general inflation rate was 5 percent.

The results of a survey of managers of industrial enterprises in Moscow and Moscow Oblast indicate growing anti-inflationary resolve of producers. For instance, in April, a desire not to raise wholesale prices was reported by 26 percent of the respondents; whereas, in January through March, this figure ranged between 5 and 10 percent. In May, 33 percent of the respondents said they were not planning to raise prices.

The drop of wholesale prices began in April on Moscow's wholesale market. At present, it has had an appreciable effect only on those firms selling office and business equipment and automobiles. Half of all the firms that lowered their factory prices in April belong in the group of "computers, business equipment, and home electronics," 100 percent of whose sales in the trade sector consists of imported goods. But the stronger commercial firms, conducting a vigorous marketing policy, have mainly undertaken to lower or freeze prices.

The managers of many wholesale firms do not believe it is possible to slow down inflation in the long run, because when there is a small increase in demand it is prices that rise rather than the volume of sales. A similar position will most likely be taken by domestic producers, because in the near future real conditions will not be created for a lowering of prices. This is confirmed by the results of a survey of 150 Russian enterprises in all branches of industry; according to which, 85 percent of the respondents said in June that they expected higher prices for their products (compared to April). The producers prefer to cut back production of their products, the size of the labor force, and to export competitive products.

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Thus, in the first half of 1994, the market for kultbytkhoz products was characterized by the following basic trends:

- A decline of production, which cut back the volume of production of many goods to between one-half and one-third;
- A growth in the volume of nonpayments and a drop in the purchasing power of consumers of kultbytkhoz products;
- A deterioration of the financial condition of producers in the trade sector;
- An increased competition between the supply of domestic and imported goods;
- A slowing down in the rise of retail prices;
- A reduction of interruptions in availability in the trade sector, a rise in the level of the supply of kultbytkhoz products to enterprises in the trade sector by almost 40 percent for the year—mainly because product turnover is slower and stocks are being replenished with imported goods;
- Priority has been retained by domestic producers in forming stocks of commodities, because domestic goods represent approximately 70 percent of the kultbytkhoz products offered for sale;
- An increased differentiation in the structure of demand of the average and rich groups in the population.

All these factors will determine the market to the end of the year as well. In particular, it is assumed that sales difficulties will increase for many goods, which will bring about a drop in their production and bankruptcy of certain production operations. But the rate of decline of the volume of production could be slower compared to the second half of last year.

The financial crisis of commercial enterprises could become more acute, which will not contribute to any substantial increase in the level of supply of kultbytkhoz products. The trade sector will not be able to completely satisfy the public's demand. There will still be a shortage and reduction of sales of domestic laundry detergents, certain types of furniture, metal cookware, building materials, and electric irons. Most of the population (more than 60 percent) will mainly be in the market for domestic goods (television sets, refrigerators, furniture, lamps, carpets, timepieces, etc.). At the same time, the supply of imported goods will be stable. And there will be a still fiercer struggle for the customer between domestic and foreign sellers.

It is most likely that, in the period July-December, average monthly growth rates of retail prices will remain at the level of 110-115 percent, because real preconditions will not be brought about to stabilize or lower them (the absence of investments, the rise in the exchange rate

of foreign currencies, high interest rates on loans, high customs duties, an ineffective system of taxation, and other factors).

The differentiation between the structure of demand of the average and high-income groups of the population will increase. On the whole, the level of consumption of goods will not rise in most families, and the quality structure of goods will not undergo essential change because of the high share of obsolete and physically worn-out goods now in use. In view of the fact that most sophisticated products have one and a half to two years before a major breakdown, immediate economic, social, and political measures are needed to prevent the consequences of a drop in the consumption of kultbytkhoz products.

### Changeover of State Enterprises to Treasury Enterprises Viewed

#### Government Decree on Treasury Enterprise Charter

944F1312A Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Aug 94 p 4

[Decree No. 908, issued 12 August 1994 in Moscow, and signed by V. Chernomyrdin, prime minister of the Russian Federation: "On Approval of the Model Charter of the Treasury Plant (Treasury Factory, Treasury Farm), Created on the Basis of a Liquidated Federal State Enterprise"]

[Text] The Government of the Russian Federation [RF] hereby decrees:

1. The proposed Model Charter of the Treasury Plant (Treasury Factory, Treasury Farm), Created on the Basis of a Liquidated Federal State Enterprise, is hereby approved.
2. It is hereby established that the treasury plant (treasury factory, treasury farm), classified by Decree No. 1003 of the RF president, dated 23 May 1994 and entitled "On the Reform of State Enterprises," as business establishments, shall come under the management of the appropriate federal executive agency to whose responsibility coordination and regulation of activity in the relevant branch (sphere of administration) have been duly assigned.

The federal executive agency shall approve the charter of its subordinate treasury plant (treasury factory, treasury farm) drafted on the basis of the Model Charter, approved by this decree, shall appoint and dismiss the manager of the treasury plant (treasury factory, treasury farm), and shall make the decision on performance of an independent business activity by the treasury plant (treasury factory, treasury farm). The permit to carry on that activity shall be adopted in the form of an order defining the specific products (jobs, services) to whose production and sale it extends.

[Signed] V. Chernomyrdin, prime minister of the Russian Federation

#### Proposed Charter for Treasury Enterprise

944F1312B Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Aug 94 p 4

[Model charter approved by Decree No. 908, issued 12 August 1994 in Moscow, and signed by V. Chernomyrdin, prime minister of the Russian Federation: "Model Charter of the Treasury Plant (Treasury Factory, Treasury Farm), Created on the Basis of a Liquidated Federal State Enterprise"]

##### [Text] 1. General Provisions

1.1. The treasury plant (treasury factory, treasury farm) (full name)

(hereinafter "the Plant") has been created on the basis of Decision

(date and number of the decree or order)

of the RF [Russian Federation] Government as a business establishment.

The Plant is part of federal property.

The official full and abbreviated name of the Plant shall be:

##### 1.2. The Plant's address is as follows:

1.3. The Plant shall perform its activity in conformity with current legislation and the present charter and shall be the successor of the liquidated state enterprise

(name of the enterprise)

with respect to the federal resources allocated earlier and credits, and also with respect to land use, natural resource use, mineral use, and use of quotas and licenses granted.

1.4. The Plant shall be a legal entity, it shall have a settlement account or current budget account in the bank, it shall have its stamp of the established format containing its name, it shall have its own forms, and it may have its own duly registered trademark (service mark).

The Plant shall be liable for its obligations with the money funds at its disposition.

1.5. The state shall bear subsidiary liability for the obligations of the Plant in case its money funds are insufficient.

#### 2. Objectives and Subject Matter of the Plant's Activity

2.1. The Plant has been created to produce a product, perform jobs, render services whose volume and character are defined in accordance with the procedure established by the RF Government.

2.2. The Plant shall carry on the following basic types of activity:

In addition to the basic types of activity, the Plant is entitled to carry on independent business activity with permission of the agency authorized by the RF Government

(name of the agency, date and number of the order)

(types of independent business activity)

### 3. The Plant's Property

3.1. The buildings, installations, and other property of the Plant are federal property and are duly assigned to it with the right of operational management by the Russian Goskomimushchestvo [State Committee for Management of State Property] on the basis of a decision of the RF Government.

The Plant may not lease, grant temporary use, or otherwise dispose of the immovable and other property transferred for its operational management without consent of the Russian Goskomimushchestvo.

3.2. Sources for formation of property and financial resources of the Plant shall be as follows:

property transferred to it by decision of the RF Government for performance of the basic types of activity;

money and other resources obtained from the sale of products (jobs, services) produced under a state order;

funds duly allocated from the federal budget and/or federal off-budget funds;

part of the income obtained from conducting independent business activity (the charter of the specific Plant shall indicate exactly what part of income).

### 4. Organization of the Plant's Activity

4.1. The Plant shall organize its activity on the basis of the need for production of the products, performance of the jobs, or rendering of the services in the amounts established in accordance with Point 2.1 of this charter, at the same time meeting the requirement with respect to quality of the products (jobs, services).

4.2. The Plant shall independently sell the products it produces (jobs it performs, services it renders) at prices (rates) to be established according to the procedure defined by the RF Government.

4.3. The procedure for division and use of profit shall be defined in the charter of the specific Plant in accordance with the Procedure for Planning and Financing the Activity of the Treasury Plant (Treasury Factory, Treasury Farm), to be adopted by the RF Government.

4.4. The amounts and conditions of remuneration of the labor of the employees of the Plant shall be defined

according to the procedure established by the RF Government, consistent with legislation in effect.

4.5. In order to perform the objectives stated in the charter, the Plant shall have the right:

to obtain credits under guarantees of the RF Government;

to independently use part of the income as stipulated by Point 3.2 of this charter, obtained from conducting an independent business activity.

4.6. The Plant shall be required:

to use the property assigned to it and the federal resources allocated in a purposive manner;

to maintain the size of the work force within the limits established by the RF Government (agency it has authorized);

to provide healthy and safe working conditions for the employees of the Plant in keeping with the requirements of current legislation on workplace health and safety;

to carry out measures aimed at regulating employment.

The Plant shall also have other duties established by RF legislation for business entities so as to take into account its legal status as a business establishment.

### 5. Management of the Plant

5.1. The Plant shall be managed by the director, operating on principles of one-man management.

5.2. The Plant's director shall be appointed and dismissed by the agency authorized by the RF Government

(name of the agency)

which approved the Plant's charter.

5.3. The Plant's director shall be accountable to the agency that appointed him, and shall be personally accountable for the Plant's business performance.

5.4. The Plant's director shall act in the name of the Plant without specific authorization, shall represent its interests within the limits defined by legislation of the RF and this charter, shall conclude contracts in conformity with current legislation, including labor contracts, shall issue power of attorney, shall enjoy the right of disposition of resources in the Plant's accounts, and shall issue orders and instructions which are binding on all the Plant's employees.

5.5. The Plant's deputy director shall be appointed and dismissed by the Plant's director in agreement with the agency that approved the Plant's charter.

5.6. Employment relations with the workers of the Plant shall be regulated by RF labor legislation.

## 6. Recordkeeping, Reporting, and Monitoring of the Plant's Activity

6.1. The Plant shall keep proper accounting records and shall file proper reports with the agency authorized by the RF Government.

6.2. The Plant shall furnish state statistical agencies the reports necessary for conducting the statewide system of data collection and processing.

6.3. The Plant's officials shall be accountable under current legislation for failure to file reports, for failure to meet deadlines for reports, and for distorting reported data.

6.4. The Plant's activity shall be audited according to the procedure established by the RF Government.

## 7. Liquidation and Reorganization of the Plant

7.1. The Plant's activity may be terminated in accordance with legislation by decision of the RF Government in the form of its liquidation or reorganization (merger, takeover, division, separation), whereupon it retains its legal status.

The liquidation commission shall be created and shall do the work of liquidating the plant in accordance with the procedure established by the RF Government.

7.2. The Plant shall be liquidated when the entry to that effect is made in the State Register.

### Commentary Describes Treasury Enterprises

944F1312C Moscow ROSSIYSKIYE VESTI in Russian  
18 Aug 94 p 1

[Article by Nikolay Ivanov under the rubric "We Comment on a Document": "Room in the 'Treasury House'"]

[Text] A decree of the RF [Russian Federation] Government has approved the model charter of the treasury enterprise, created on the basis of a liquidated federal state enterprise.

Thus, yet another important step has been taken on the road toward reorganization of the state sector of the economy. The creation of treasury enterprises was envisaged by normative enactments prepared by the RF Ministry of the Economy.

Treasury enterprises are for us a "long forgotten thing of the past." They emerged in Russia back in the 17th century. They were mainly military and mining and metallurgical plants.

Present-day treasury enterprises are federally owned enterprises which may not be guided by purely commercial criteria, and as a consequence the state must in one

way or another restrict their independence, or they may be enterprises which cannot adapt to market conditions on their own, and at the same time they must be preserved for a certain period of time. Their operation is bound up with guaranteeing the stability of the economy and the country's defense, the solution of social problems, and also the supply of relatively inexpensive services on the basis of a natural monopoly.

Such enterprises include state scientific-technical centers operating under long-term programs for military construction, research centers and testing grounds, separate city-plants, and also scientific organizations and enterprises engaged in the development and manufacture of priority scientific-intensive products of military and civilian purposes for which the state is the principal customer. This group also includes enterprises which have sizable mobilization capacities occupying a monopoly position in the field of production of arms and military equipment, which have been prohibited from privatization.

The main peculiarities of treasury enterprises are the following: the absence of its own property and its own resources (they belong entirely to the state); management is directly in the hands of administrative agencies, which regulate their entire economic activity, they determine the organizational structure, they appoint the managers, they set the prices and rate schedules, they conclude labor agreements, etc.

As we see, the "lead" by which treasury enterprises are tethered is very short and tight. To be sure, they are acquiring quite substantial advantages under present conditions—uninterrupted and punctual financing to fill a guaranteed state order. Under the Model Charter, "the state shall bear subsidiary liability for the obligations of the plant in case its money resources are insufficient."

This point is in essence the key point in the evaluations of experts of the government decree on treasury enterprises. They are unambiguous. For example, specialists of the Ministry of Labor see it only as a temporary measure of an administrative character that was imposed by necessity. At Goskomimushchestvo [State Committee for Management of State Property] and the Ministry of the Economy, they believe that treasury enterprises will make the economy more manageable and will preserve vitally important enterprises facing a real threat of bankruptcy.

The question is whether there will be enough money for all that need to be saved. At the Ministry of Finance, they express fears that sectoral ministries are trying to save in "treasury houses" as many of their subordinates as possible. If such an approach prevails, the "subsidiary liability" of the state could become nothing more than a "declaration of intent."

### **Collapse of Government's Economic Policy Viewed**

*944F1336A Moscow NEZAVISIMAYA GAZETA  
in Russian 17 Aug 94 p 1*

[Article by I. Zasurskiy: "An Attack of Sincerity in the 'Team of Reformers'"]

[Text]

### **The Government Is Concealing the Failure of the Economic Policy**

The latest announcements of the government concerning extension of credits to industry in the amount of R3.5 trillion for investment and conversion programs were accompanied by some uncommonly honest caveats issued by the presidential administration (Aleksandr Livshits was the first to start talking about 10 percent inflation) and the government (including those during yesterday's press conference).

The attack of sincerity of the "team of reformers" is explained very simply: The government policy failed and predictions of the economists, made at the end of winter, to the effect that the government will be very pleased with its success in the struggle against inflation and then will land in a puddle, are beginning to come true. Thus, the reason for the sincerity of the officials lies on the surface. Imagine the situation on the street with an ordinary puddle. If you suddenly realize that you will inevitably fall in that puddle right away (for any reason), it is better to tell the passerby beforehand: "I am about to fall in that puddle. Pay no attention to me." As if everything is going according to plan.

The inflation of costs, which is what various specialists have been repeatedly talking about since 1992, cannot be suppressed with demand restrictions. What would happen if that was tried? A drop in production and a depression with a further deformation in the structure of industry, then a decline of tax revenues. After that—growth of the budgetary deficit and inflation. This is from the viewpoint of inflation, while from the viewpoint of "national wealth"—pressure of raw material branches knocks Russian goods out of world and then the domestic markets. This, while the struggle against the symptoms continues in the Cabinet of Ministers: Oleg Soskovets has been charged with the issues of nonpayment and is now holding meetings twice a week on these issues.

The explanations of Grigoriy Yavlinskiy, on the eve of his declaration of readiness to form a Cabinet of Ministers, appeared even simpler: "You understand, they will be very pleased when their inflation drops to a minimum, and they will start to brag. While in the third quarter it will be necessary to pay the land owners and attempt to make some investments in industry—nothing will then come of that for them. Then winter will arrive, and it is necessary to be concerned with heating. It is

important to stretch out these payments of the second six months as much as possible in time in order for the jump to be smaller."

The government still does not have an investment policy, grain futures have not been used, and the dollar exchange rate was restrained at the expense of export revenues. One must not think that the 3.5 trillion on their own will raise inflation to 10 percent. They are not the point, particularly since it is planned to invest them at 37 percent interest per year, and a part (600 billion) at 10 percent (both, I hope, under the supervision of the liberal press.)

But when your budget receives a tax revenue that is 30 percent below what was planned (a shortfall of R10 trillion), a drop that exceeds the predicted level by several times, while the VVP [Gross Domestic Product] declines by 17 percent by comparison with the first six months of last year—then does it make any sense to criticize from anti-inflationary positions the incoherent government undertaking with participation in investments?

According to data of the Budget Control Committee of the State Duma, underfinancing of planned expenditures in the first six months amounted to R19 trillion. At the same time the clearly government created policy being implemented through disproportional sequestering was clearly manifested in the amount of underfinancing. Some 41.7 percent of the budgeted amount for support of branches of the national economy were not allocated, along with 28.3 percent for conversion. Nonpayments for science and servicing of the state debt, correspondingly, amounted to 32.5 and 35.7 percent of the planned amount.

The government policy is being conducted out of contact with the adopted budget; it is based on day-to-day regulation, and continues to program recession and inflation for years to come. This is caused not by the paltry dole of the military-industrial complex, but by the lack of a concept of the development of the economy of Russia in a crisis and an ability to overcome corporate interests of branch groupings, as a result of which policy is created not only in behind-the-scenes clashes, and it cannot in any way reflect the normal needs of economic development.

The federal draft law on the composition and structure of the Budgetary Classification of the Russian Federation was studied yesterday at a session of the government presidium under the chairmanship of Oleg Soskovets, first deputy prime minister. The government press service states that a report on that issue was presented by Vladimir Petrov, acting first deputy minister of finance. Members of the presidium requested that within a week the Ministry of Finance and the Central Bank "refine the draft law with consideration of remarks that were expressed."

A study of the draft law, which must become "a methodological basis for compilation and fulfillment of the budget," was to have been made at the government presidium on 11 August, but at that time it was decided to discuss it separately and without the mass media.

### Deputy Economy Ministers on Inflation Rate

944F1326A Moscow *SEGODNYA* in Russian  
16 Aug 94 p 2

[Article by Stanislav Koltsov under the rubric "Nuances": "Deputy Ministers of Economy Are Optimistic; Military-Industrial Complex and Agro-Industrial Complex Credits Will Not Make a Breach in the Budget"]

[Text] According to estimates by Sergey Ignatyev, deputy minister of economics, in October the inflation rate may reach 8-10 percent. At the same time, he believes that it is not necessary to talk about "some inflationary upswing," despite the fact that the growth rates of the money supply are steadily increasing and at this time amount to 10-12 percent monthly. Another deputy minister of economics, Vladimir Kosev, declared yesterday at a press conference that, in his view, the presidential edicts on the granting of 1.8 trillion conversion credits at a preferential rate of 10 percent for the Military-Industrial Complex as well as permission for enterprises to sell their products below production cost will not affect the rise in prices.

Mr. Kosev considers that "Russia cannot allow itself the financing of any programs longer than two years." He also feels confident that the Ministry of Economics will be able to grant preferential term credits only to those enterprises that will utilize them with benefit to themselves "and to society." True, it is not quite clear what principle will be used to differentiate the "pure" from the "impure."

At yesterday's press conference, which took place during the "dead" season and apparently, as a result, is causing a tumultuous invasion of journalists, Deputy Minister of Finance Sergey Aleksashenko again confirmed the intent of the government "not to assume the debts of enterprises under any circumstances." He likewise declared that funds allocated for the Military-Industrial Complex and the Agro-Industrial Complex are already in the budget and will not create a serious breach in it.

### DELOVOY MIR Economics Statistics, 26 July

944E1119A Moscow *DELOVOY MIR* in Russian  
3 Aug 94 p 4

[Article: "Social and Economic Statistics on 26 July"]

[Text]

### Prices of Consumer Goods and Services

In July the operational index of consumer prices comprised 105.1 percent, including of foodstuffs, 103.2 percent, of nonfoodstuffs, 104.4 percent, and of paid services for the public, 115.0 percent.

During the period from 20 to 26 July the increase in prices of consumer goods and services comprised 0.7 percent. The weekly increase in prices of foodstuffs comprised 0.4 percent, of nonfoodstuffs, 0.8 percent, and of paid services, 1.3 percent.

The largest weekly increase in consumer prices was recorded in cities of the East Siberian Region and Kaliningrad Oblast (1.7 to 2.4 percent) and the smallest, in the Volga Region and the Central Chernozem Region.

Indices of prices of goods and services on the consumer market comprised the following:

	In % of the Previous Date				
	12.07	19.07	26.07	Average Daily Price Increase	
				July	June
Consumer goods and services, including:	101.0	101.2	100.7	0.17	0.16
foodstuffs	100.8	100.8	100.4	0.11	0.14
nonfoodstuffs	101.0	101.0	100.8	0.13	0.14
paid services for the public	102.0	103.1	101.3	0.45	0.34

Since the beginning of the year prices of goods and services rose 1.9-fold, including of goods, 1.7-fold and of services, 4.4-fold.

**Food**

During the period from 20 to 26 July prices in organized trade increased by 0.8 percent and in unorganized trade their 1.4 percent reduction was noted.

The weekly change in prices in basic commodity groups is represented below:

	In Percent		
	Total	including:	
		In organized trade	In unorganized trade
All foodstuffs, including:	100.4	100.8	98.6
meat and meat products	100.8	100.8	100.7
fish and fish products	100.2	100.3	99.6
Milk and dairy products	100.1	100.2	99.7
eggs	99.6	99.6	98.9
sugar	104.2	104.2	103.2
bread and bread and flour products	101.4	101.4	100.5
hulled and macaroni products	101.4	101.4	101.3
potatoes and vegetables	101.2	103.5	97.2
fruits	95.9	96.7	94.6

In organized trade the increase in prices of meat, fish, and dairy products did not exceed 1 percent. At the same time, higher rates of increase in prices of bread, bread, flour, macaroni, and hulled products, and salt remained, comprising 1.4 to 2 percent per week. With the increase in demand sugar prices rose (4.2 percent). The reduction in prices of individual types of vegetable products remained relatively not high.

In July prices of meat, meat products, flour, bread, and bread, flour, hulled, macaroni, and confectionery products increased by 5 to 7 percent, of salt, by 11 percent, and of sugar, by 18 percent. Fruit prices declined by 9 percent.

Since the beginning of the year prices of bread, bread and flour products, milk, and dairy products rose 2.2- to 2.5-fold and of meat and meat products, 1.7-fold.

The reduction in prices in unorganized trade, basically, is due to the reduction in prices of fruit and vegetable products: Weekly prices of cabbage, onions, garlic, carrots, and fruits declined by 4 to 8 percent.

At the same time, the rates of increase in prices of meat and meat products slowed down on markets in July, comprising 5.1 percent as compared with 11.3 percent in June. Prices of milk, dairy products, and eggs hardly changed. Since the beginning of the month the price of fruits dropped by 16.4 percent and of vegetables, by 4 percent.

The weekly cost of the basket of 19 basic food products increased by 2.1 percent, as of 26 July amounting to 62,100 rubles per month. The differentiation of the cost of this basket among observed cities in Russia was

5.1-fold (at the end of June, 4.2-fold). As before, Magadan (187,900 rubles) and Ulyanovsk (36,700 rubles) remained the leaders in the maximum and the minimum cost. In Moscow and St. Petersburg the basket cost 68,700 and 70,700 rubles per month (the 33d and the 28th place out of 132 observed cities respectively).

**Nonfoodstuffs**

Negligible rates of increase in prices of nonfoodstuffs remained during the period from 20 through 26 July. The increase in prices of fuel for the population observed since the beginning of the month stopped, comprising 101 percent as compared with 107.7 percent at the beginning of the month. Prices of fabrics and tobacco products rose somewhat higher than during the previous weeks in July (101.4 percent).

Since the beginning of the month the increase in prices of fuel for the population comprised 12.7 percent. The cost of sewn and knitted goods, fabrics, goods for cultural and everyday purposes, and tobacco products rose 2.7 to 6 percent.

**Paid Services for the Public**

Last week the most significant increase occurred in city bus fares (2.9 percent) and in rates of individual public health services (3 to 3.9 percent). Rates of housing and municipal services throughout Russia hardly changed and rates of everyday and communication services rose 1 to 1.3 percent.

Since the beginning of the month rates of individual housing and municipal services increased by 20 to 38 percent and of intercity telephone communication, by 28

percent. Services of notary offices rose 37 percent. The cost of some types of everyday services, of children's maintenance in preschool institutions, and of services of health institutions rose 8 to 17 percent.

Since the beginning of the year the rise in the cost of individual types of housing and municipal services was 9- to 10-fold, in suburban and long-distance train and city bus fares, 4- to 8-fold, and in the charge for staying in children's preschool institutions, 3.4-fold and in sanatoriums and rest homes, 3-fold.

	1993	1994	1994 in relation to 1993		Increase in 2 Weeks	
			+,-	in %	report	previous
Mowed sown and natural grass, total, mill. ha	15.9	13.0	-2.9	82	6.4	4.3
Procured, mill. ton.						
hay	12.7	9.7	-3.0	76	5.9	2.9
haylage	21.8	16.6	-5.2	76	10.0	4.6
silage	5.4	3.9	-1.5	71	3.0	0.8
Grass meal produced, thous. ton.	435	252	-183	58	106	87
Total feed procured, mill. ton. of feed units	14.1	10.7	-3.4	76	6.6	3.0
per standard head, quintals of feed units	4.1	3.5	-0.6	85	2.2	0.9

Last year's level of coarse and succulent feed procurement was exceeded in every third region of Russia. Its largest quantity per standard head (more than 7 quintals of feed units) was stored on farms in Bryansk, Kaluga, Moscow, Orel, Smolensk, and Belgorod oblasts and the Tatarstan Republic.

Feed is being procured at slow rates at agricultural enterprises in Perm, Sverdlovsk, Novosibirsk, Omsk, and Tyumen oblasts, Altay Kray, and the Mari El

#### Feed Procurement

During the past 2 weeks in July the rates of feed procurement work at agricultural enterprises of the Russian Federation accelerated. The total coarse and succulent feed stored increased 2.2-fold as compared with the previous 2 weeks, including hay, 2-fold, haylage, 2.2-fold, and silage, 3.8-fold.

In all, by 25 July natural and sown grass was mowed on an area of 13.0 million hectares (including sown grass, on 11.3 million hectares), which comprised 82 percent of the 1993 level (2 weeks ago, 69 percent). On the average, the feed yield per hectare was 7 percent lower than last year.

Republic, where the amount of the stored fodder is one-half to one-third of last year's amount.

#### On Trade in Fuel Resources With CIS Countries

In the total export of Russia's fuel resources Commonwealth countries occupy 41 percent in gas, more than 25 percent in coal and petroleum, and 10 percent in petroleum products. As compared with last year's level, the share of the export of primary types of fuel to these countries has decreased by 7 percent points and of petroleum products, by 23 percent points.

	January-June 1994		in % of May 1994	% of Fulfillment of Annual Intergovernment Agreements in January-June
	exported	in % of January-June 1993		
Gas, bill. cub. m	39.4	93	97	*)
Coal, mill. ton.	2.7	64	76	*)
Petroleum, mill. ton.	14.4	60	82	57
Motor gasoline, thous. ton.	175	9	98	12
Diesel fuel, thous. ton.	852	28	140	30
Furnace mazut, thous. ton.	920	33	60	53

\*)Lack of intergovernment agreements.

The lag in the fulfillment of annual intergovernment agreements on the shipment of motor gasoline and diesel fuel, as before, is due to the debts of CIS countries to Russia. At the same time, in June of this year, as compared with the previous month, the sale of diesel fuel has increased.

During the first half of this year in the total volume of exported petroleum products the share of sales, through direct contacts, of diesel fuel comprised 63 percent, of motor gasoline, 76 percent, and of fuel mazut, 91 percent, which was 10 to 12 percent higher than during the first half of last year.

In January-June the following were exported to basic recipients of Russian fuel:

	Ukraine		Belorussia		Kazakhstan	
	January-June 1994	in % of January-June 1993	January-June 1994	in % of January-June 1993	January-June 1994	in % of January-June 1993
Gas, mill. cub. m	29.6	96	7.8	86	0.4	57
Coal, thous. ton.	1765	99.2	237	43	415	37
Petroleum, mill. ton.	6.1	67	4.4	68	2.2	40
Motor gasoline, thous. ton	42.1	9	9.2	56	14.7	2
Diesel fuel, thous. ton.	485	39	64.9	111	190.5	16
Furnace mazut, thous. ton.	452	37	210.9	55	42.4	11

During the first half of this year only Kazakhstan sold fuel to Russia. During that period the following were imported to the Russian market: 2.1 million tonnes of petroleum (34 percent in relation to last year's level), 13 million tonnes of coal (83 percent), and 1.2 billion cubic meters of gas (60 percent).

#### Population's Income

Throughout Russia in June of this year the population's money income increased by 18.2 percent as compared with the previous month. At the same time, on 40 territories its rise was higher than the average Russian

rise, on 24 territories it comprised 110 to 118 percent, and on 12 territories, less than 110 percent. They include Komi, Kalmykia, Dagestan, Adygea, and Tuva republics and Novgorod, Pskov, Kirov, Rostov, Kurgan, Kemerovo, and Novosibirsk oblasts.

On 10 territories of the Russian Federation in June of this year the average per-capita money income was below the amount of the minimum living wage and in May of this year, on 12 territories.

The grouping of territories according to the level of the population's average per-capita money income is presented in the following table:

Nominal Money Income	Number of Territories		
	April	May	June
up to 70,000 rubles	3	4	
70,000-80,000	9	12	7
80,000-90,000	12	13	5
90,000-100,000	12	15	10
100,000-110,000	10	6	17
110,000-120,000	6	6	7
120,000-130,000	6	3	7
130,000 and higher	18	17	24

The highest per-capita money income is in the country's northern and eastern regions: in Magadan (552,600 rubles) and Tyumen (417,700) oblasts, the Sakha Republic (372,600), Kamchatka (305,900), Sakhalin (280,000), and Murmansk (273,000) oblasts, and Komi (251,300) and Karelia (235,100) republics; the lowest, in North Caucasian, Volgo-Vyatka, Central Chernozem, and Volga regions, as well as in Ivanovo and Kurgan oblasts and Altay Kray (from 70,000 to 100,000 rubles per capita).

On all territories of the Russian Federation, except for Kalmykia and Tuva republics and Novgorod, Kurgan, and Kemerovo oblasts, in June of this year, as compared with May of this year, there was an outstripping growth of the population's money income as compared with the increase in consumer prices. To a certain extent this stimulated the population to accumulate funds in bank deposits. Their share in the volume of current income, as compared with May of this year, increased on almost all territories.

The distribution of territories according to the proportion of these types of savings is represented by the following data:

Share of the Population's Savings in Bank Deposits in the Volume of Current Income, in %	Number of Territories	
	May	June
up to 2	14	2
2-3	11	4
3-4	14	10
4-5	8	12
5-6	7	11
6-7	9	10
7-8	4	5
8 and higher	9	21

The share of the population's deposits was relatively high in Voronezh, Tambov, Samara, Volgograd, and Ulyanovsk oblasts, the Adygea Republic, and Krasnodar and Stavropol krays (10 to 16 percent) and low in Arkhangelsk and Murmansk oblasts and Kalmykia, Dagestan, Buryatia, Bashkirie, and Altay republics (2 to 3 percent).

The level of average monthly wages formed during the first half of this year was 11-fold higher than the established minimum amount.

In June of this year, according to the evaluation, wages computed per average worker totaled more than 200,000 rubles, which was 10 percent more than in May of this year.

#### Employment

In a number of regions with a significant proportion of conversion enterprises and the textile industry there is an unfavorable situation on the labor market. They are Udmurt and Chuvash republics and Pskov, Ivanovo, Yaroslavl, Vladimir, Perm, Sverdlovsk, and Chelyabinsk oblasts, where with the high level of unemployment the possibilities for placing the unemployed population in jobs are limited owing to the small number of vacant work places. In these regions at labor exchanges from 8 to 27 people apply for one vacant place and in Ivanovo Oblast, 53 people (on the average, throughout the Russian Federation, four people).

At the same time, in Bashkirie and Tataria republics and Rostov, Samara, Tula, Smolensk, and Tver oblasts, where the share of conversion and textile enterprises in the structure of industry is also high, the indicators of pressure on the labor market (the level of full and registered unemployment and the load of the unemployed population per vacant place on labor exchanges) are lower than the average data throughout Russia.

#### Sick Rate

In the Russian Federation in January-May 1994 the situation with the incidence of infectious diseases remained tense. As compared with January-May 1993, the increase in the incidence of diphtheria was recorded on 65 territories, whooping cough, on 69, tuberculosis, on 62, scarlet fever, on 67, and virus hepatitis, on 47.

The greatest increase in the number of patients suffering from diphtheria is noted in Pskov (from 2 to 203 cases), Voronezh (18 and 181), Saratov (76 and 362), Rostov (63 and 478), and Irkutsk (43 and 431) oblasts.

The level of incidence of scarlet fever is the highest in the Dagestan Republic (333 cases per 100,000 people), Kurgan Oblast (264), the Adygea Republic (267), and Tambov (206) and Novgorod (206) oblasts, the average throughout Russia being 127 cases per 100,000 people. The incidence of tuberculosis in Bryansk Oblast (39.4), the Tuva Republic (48.1), the Jewish Autonomous Oblast (34.1), the Dagestan Republic (27.4), and Amur Oblast (25.4) is more than twofold higher than the average throughout Russia (17 cases per 100,000 people).

A more than twofold increase in the incidence of syphilis was noted on almost all territories. On the average, throughout Russia 25 cases per 100,000 people were recorded in January-May 1994 and 9.5, in January-May 1993.

#### Ecological Situation

During the first half of 1994 a total of 11.4 million tonnes of pollutants from stationary sources entered the ambient air of cities and other settlements in the Russian Federation, which was 1.9 million tonnes (14 percent) less than during the same period of 1993.

Russia's 13 territories (Krasnoyarsk Kray, Tyumen, Sverdlovsk, Chelyabinsk, Kemerovo, Vologda, and Irkutsk oblasts, Komi and Bashkirie republics, and Orenburg, Samara, Perm, and Murmansk oblasts) with an annual emission volume of more than 500,000 tonnes in each account for more than one-half of all the pollutants entering the atmosphere of Russian cities and industrial centers.

As before, the pollution of water facilities continues. An extremely high pollution was observed in rivers of Murmansk, Sverdlovsk, Orenburg, Chelyabinsk, and Kaliningrad oblasts. Metallurgical and timber industry enterprises are the perpetrators of the pollution.

#### Housing Conditions

The traditional form of solving the housing problem—renting living space—still remains in most of Russia's regions. People are forced to stand in line to receive free state housing. In the Russian Federation at the beginning of 1994 there were 9.1 million of such families, or 18

percent of their total number, of which 1.3 million families, or 13 percent, have been waiting for housing for 10 years and longer.

One-fourth of all families and more stand in line to receive living space and to improve housing conditions in Komi, Mari El, and Chuvashia republics, Arkhangelsk, Vologda, Lipetsk, Tyumen, Tomsk, Magadan, Sakhalinsk, and Kaliningrad oblasts, and the city of St. Petersburg.

#### Crime

On Russia's territory in January-June 1,333,000 crimes were recorded—3 percent less than in January-June of last year. The number of recorded crimes in Leningrad, Murmansk, and Pskov oblasts and the Karachayevo-Cherkess Republic was lowered significantly (by 19 to 21 percent). At the same time, a rise in crime continues in a number of regions—in the city of St. Petersburg (26 percent) and in Sakhalin (23 percent), Kursk (19 percent), and Orenburg (14 percent) oblasts.

In January-June the number of crimes per 100,000 people totaled 899 (in January-June 1993—923 crimes). The highest level of crime occurred in Sakhalin Oblast—1,713 crimes; the Maritime Kray—1,585; the Tuva Republic—1,525; Khabarovsk Kray—1,442; Tomsk Oblast—1,395; Amur Oblast—1,383; Novosibirsk Oblast, 1,348.

The increase in crime connected with drugs continues, especially in Arkhangelsk, Tver, Novgorod, and Tambov oblasts and the Komi Republic.

An increase in juvenile delinquency is noted in a number of regions. With a 4-percent increase throughout the country juvenile delinquency in the Sakha Republic and in Sakhalin and Amur oblasts rose 30 to 32 percent, in Arkhangelsk and Tomsk oblasts, 29 percent, and in Ivanovo Oblast, 27 percent.

#### Survey Prepared According to the Data of the RF State Committee for Statistics

##### Cities—Absolute Leaders (on 26 July 1994) With Due Regard for Prices on the City Market

Description of Representative Commodity	Name of City	Minimum Price per Unit of Commodity (rub., kop.)	Name of City	Maximum Price per Unit of Commodity (rub., kop.)
<b>Foodstuffs</b>				
First-category beef	Ulyanovsk	1355.17	Syktyvkar	8950.83
Poultry meat	Gornyak	2100.00	Yakutsk	6384.00
First-grade cooked sausage	Smolensk	2828.47	Yakutsk	14570.00
First-grade semi-smoked sausage	Novyy Oskol	4290.00	Yakutsk	20550.00
Butter	Ulyanovsk	1473.10	Yakutsk	6636.00
Vegetable oil	Ulyanovsk	800.00	Magadan	3992.00
Pasteurized milk, 1.5-3.5% fat content	Orel	191.89	Magadan	2387.00
Sour cream	Cheboksary	1210.00	Magadan	15000.00
Hard rennet cheese (of the "Poshekhol'skiy," "Rossiyskiy," "Kostromskoy," "Yaroslavskiy," "Holland," and other types)	Tambov	3450.00	Yuzhno-Sakhalinsk	18750.00
Chicken eggs—price per 10	Ulyanovsk	597.50	Magadan	4533.00
Granulated sugar	Shebekino	575.00	Magadan	1716.00
Rye-wheat bread	Ulyanovsk	188.00	Yuzhno-Sakhalinsk	1594.00
Wheat bread from first- and second-grade flour	Ulyanovsk	293.00	Magadan	1781.00
Polished millet	Novyy Urengoy	139.00	Yuzhno-Sakhalinsk	1400.00
Vermicelli from top-grade wheat flour	Novyy Urengoy	315.00	Yuzhno-Sakhalinsk	4233.00
Potatoes	Obninsk	130.95	Irkutsk	4000.00
Fresh white cabbage	Astrakhan	492.64	Yakutsk	8357.14
Onions	Blagoveshchensk	800.00	Magadan	6458.33
Apples	Krasnodar	637.50	Yakutsk	10000.00

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## Cities—Absolute Leaders (on 26 July 1994) With Due Regard for Prices on the City Market (Continued)

Description of Representative Commodity	Name of City	Minimum Price per Unit of Commodity (rub., kop.)	Name of City	Maximum Price per Unit of Commodity (rub., kop.)
<b>Industrial Goods</b>				
Two-piece half-wool suits	Novomoskovsk	47291.00	Nakhodka	220000.00
Women's summer shoes, high-fashion on a high (or medium) heel, on natural leather or leather-like rubber sole	Obninsk	18667.00	Angarsk	82500.00
Cotton (calico and satin) fabrics	Vladimir	690.00	Norilsk	3500.00
Sofa-bed	Orel	190448.33	Yuzhno-Sakhalinsk	765000.00
Domestic analgin	Kazan	143.00	Vorkuta	970.00
Floor-type refrigerator with semiautomatic defrosting (KSh-260)	Ishimbay	360000.00	Petropavlovsk-Kamchatskiy	1150000.00
Tobacco products, price per package—filter cigarettes	Rostov-on-Don	250.00	Vladivostok	1500.00
<b>Services</b>				
Custom sewing of women's clothes	Gornjak	9754.00	Magadan	100000.00
Dry cleaning of winter coats and half-length overcoats	Tuapse	2170.00	Vorkuta	26700.00
Washing and ironing of linen (per kg)	Nizhniy Tagil	190.00	Novyy Urengoy	3800.00
One washing in a bath house (common hall)	Prokopyevsk	100.00	Moscow	4350.00
Repair of women's footwear (polyurethane heel tap)	Kaluga	900.00	Khabarovsk	11700.00
Single trip by an intracity service bus	Kaluga	30.00	Yuzhno-Sakhalinsk	400.00
Single trip on a suburban train over a distance of up to 3-4 zones	Stavropol	56.00	Syktyvkar	2750.00
Cost of traveling over 100 km in a railroad car with sleeping compartments of a fast less comfortable train bound for Moscow (the cost of the ticket to Moscow is to be divided by the distance)	Prokopyevsk	1119.00	Vladimir	5000.00
Cost of 1 minute of intercity telephone talk	Miass	170.67	Izhevsk	1857.00
Monthly rate for the use of a private (nonpaired and noncoupled) home telephone in an individual apartment without preferential discounts	Bryansk	700.00	Surgut	8000.00
Hotel (one place in a first-category double-occupancy room of a first-class hotel)	Orsk	4500.00	Yuzhno-Sakhalinsk	44000.00
Rent per square meter of total area in municipal state housing	Lipetsk	0.08	Surgut	255.00
Payment for network gas per person living in an apartment with a gas plate	Izhevsk	10.87	Yakutsk	864.00
Payment for hot water supply per person in an apartment with all conveniences	Tayshet	3.36	Magadan	2500.00
Nursery-kindergarten (a place for one child)	Vladikavkaz	160.00	Norilsk	3333.00
Initial visit to a doctor	Makhachkala	200.00	Izhevsk	1600.00

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**Cities—Absolute Leaders (on 26 July 1994) With Due Regard for Prices on the City Market (Continued)**

Description of Representative Commodity	Name of City	Minimum Price per Unit of Commodity (rub., kop.)	Name of City	Maximum Price per Unit of Commodity (rub., kop.)
Trade-union sanatorium (one bed-day)	Murmansk	8500.00	Yuzhno-Sakhalinsk	70833.00
Certification of a will in a notary office	Salekhard	14620.00	Tuapse	41500.00

**DELOVOY MIR Economic Statistics, 16 August 94**

944E1167A Moscow DELOVOY MIR in Russian  
24 Aug 94 p 4

[Report of RF State Committee for Statistics on Status of Production and Price Dynamics on 16 August]

[Text] **Prices of Consumer Goods and Services.** *The price index for consumer goods and services during the period*

*from 10 to 16 August was 100.7 percent, including an index of 100 percent for foods, 101.3 percent for non-food items, and 102.1 percent for paid services.*

*The highest rise in consumer prices during the week was recorded in the cities of the central region, the Far East, and Kaliningrad Oblast (1.5-1.6 percent).*

*The price indexes of goods and services in the consumer market were the following:*

Categories	In % of previous date			Average daily increase	
	2 Aug	9 Aug	16 Aug	August	July
Consumer goods and services	101.2	100.7	100.7	0.13	0.17
foods	100.0	100.0	100.0	0.00	0.11
non-food items	101.1	101.3	101.3	0.19	0.13
paid services	105.7	101.7	102.1	0.52	0.45

*The prices of goods and services in general had risen 2.1 percent since the beginning of the month, with virtually no change in food prices, an increase of 3.1 percent in the prices of non-food items, and an increase of 8.7 percent in the prices of services.*

Food prices are 1.7 times as high as they were at the beginning of the year, the prices of non-food items are 1.8 times as high, and the prices of services are 4.8 times as high.

**Foods.** There was virtually no change in prices in the organized trade network between 10 and 16 August, and prices in unofficial trade decreased by 2.6 percent.

Changes in the prices of the main groups of products during the week are presented below (in percentages):

Categories	Total	Organized trade	Unorganized trade
All foods	100.0	100.1	97.4
meat and meat products	100.9	100.8	101.3
fish and fish products	99.9	100.1	97.4
edible fats	100.7	100.6	102.1
milk and dairy products	100.4	100.2	102.7
eggs	100.5	100.4	101.5
bread and baked goods	102.5	102.5	105.2
cereals and noodles	101.9	101.9	100.4
vodka	100.7	100.7	99.9
produce, including potatoes	92.7	92.4	93.1

*In the organized trade network the prices of fish, milk and dairy products were almost the same as they had been the week before. The prices of flour, some types of*

*bread, baked goods, and noodles and cereal rose 2-3 percent during the week, and the price of sugar rose 4.5 percent.*

Seasonal reductions in the prices of potatoes, cabbage, onions, and apples (4-12 percent) continued in connection with increased deliveries of the new harvest of produce to the sales network.

The prices of bread and baked goods and of milk and dairy products are 2.2-2.6 times as high as they were at the beginning of the year, and the prices of meat and meat products are 1.8 times as high.

*In unorganized trade* the prices of produce continued to drop, just as they did in the organized trade network: The prices of potatoes, cabbage, garlic, carrots, beets, and apples decreased by 3-12 percent during the week. The rate of increase in the prices of some types of meat and dairy products remained relatively low.

*The cost of the 19 main food products* decreased by 0.8 percent during the week in connection with the substantial seasonal reductions in the prices of produce, which represents a high percentage of these foods, and amounted to 63,100 rubles a month as of 16 August. Differences in the cost of this group of goods in the Russian cities surveyed were as high as 5.1 times. The minimum cost was recorded in Orel (36,900 rubles), and the maximum cost was recorded in Magadan (189,000 rubles). The monthly cost of the group of products in Moscow and St. Petersburg was 70,900 rubles and 65,900 rubles (ranking 31st and 41st among the cities surveyed).

**Non-Food Items.** The rate of increase in the prices of non-food items between 10 and 16 August was as low as it had been in earlier weeks. The prices of tobacco products and some types of medicines and children's goods rose 2-3.6 percent.

**Paid Services for the Population.** The prices and rates of paid services for the population increased by 2.1 percent during the week. Municipal housing rents and fees for hot water increased by 5.3 percent and 5.7 percent. The rates of some personal services and fares on urban transport systems increased by 1-2 percent.

Household rent in Russian cities is 13 times as high as it was at the beginning of the year and hot water fees are 11 times as high as they were. Fares on urban transport lines are 6 times as high, and the rates of personal services are 2-4.5 times as high.

**Prices of Sold Agricultural Products and Purchased Producer Goods.** According to the sample survey of agricultural enterprises conducted quarterly by the Russian State Committee for Statistics, the prices of products sold by farms in the first half of 1994 were 4.6 times as high on the average as in the first half of 1993, and the prices of purchased producer goods and services for agricultural production were 7.4 times as high.

The sales prices and rates of increase in the prices of the main agricultural products in 1992-1994 are presented below:

Products	Sales prices, rubles per tonne* in first half of year			Price index* in % of first half of previous year		
	1992	1993	1994	1992	1993	1994
Potatoes	3,589	21,186	135,198	510	590	638
Vegetables	15,515	237,600	1,505,212	479	1,529	598
Cattle**	18,718	140,456	397,773	405	750	426
Sheep and goats**	8,670	65,816	324,713	257	759	493
Pigs**	21,767	234,550	1,029,158	537	1,078	439
Poultry**	19,022	222,438	1,102,993	508	1,169	496
Milk	4,694	34,469	145,248	616	734	421
Eggs, thousands	1,139	11,558	67,000	599	1,015	580

\* Excluding subsidies.

\*\* Live weight.

In the first half of this year the prices of pigs and poultry, which are more dependent on the prices of grain and mixed feeds, exceeded cattle prices by 72-85 percent, but the figure was 58-67 percent in the first half of 1993 and 2-16 percent in 1992.

The highest increase in the prices of material and technical resources purchased by agricultural enterprises and of production services performed for these enterprises was recorded in the cost of electrical power—15.1 times (13.8 times in the first half of 1993). The prices of purchased fuels (coal and gas) were 10.7 times as high (9

times in the first half of 1993), and the figures for other items were 8.1 times as high for mixed feeds (10.5 times), 7.7 times for mineral fertilizers (10 times), 5.5-5.8 times for farming vehicles and spare parts (9.3-9.5 times), and 5.8 times for equipment fuel and lubricants (15.3 times).

Purchases of mineral fertilizers and lumber in the first half of 1994 on the farms surveyed were 25 percent below the figures for the first half of 1993, mixed feed purchases were 24 percent below, purchases of fuel and lubricants were 21 percent below, and purchases of spare parts for vehicles and equipment were 19 percent below.

**Industry.** In the first 14 days of August 1994 the average daily output of the 163 items recorded in reports displayed the following changes in comparison with the same period in July 1994:

—*an increase for 88 items* (including oil, coal, gasoline, diesel fuel, fuel oil, finished rolled metals, steel pipe, small electric engines, large electric vehicles, diesel engines and generators, batteries and vehicle batteries, electric and diesel locomotives, excavators, tractors, synthetic ammonia, caustic soda, potassium fertilizers, microbiological feed proteins, matches, paper, building brick, cement, roofing slate, asbestos, refrigerators and freezers, washing machines, tape recorders, cotton and woolen fabrics, knitwear, coats and capes, dresses, jackets, meat, whole-milk dairy products, groats, flour, bread and baked goods, granulated sugar, baker's yeast, confectionery, tea, tooth paste, household and facial soap, and synthetic detergents), or 54 percent of the total;

—*a decrease for 65 items*, or 40 percent of the total

In comparison with the same period in August 1993:

—*an increase for 17 items* (including diesel engines and generators, urban telephone network cable, freight cars, passenger cars, trailers and semi-trailers, trucks, diesel and electric locomotives, potassium fertilizers, asbestos cement pipe and sleeves, video cassettes, granulated sugar, and table salt), or 11 percent of the total;

—*a decrease for 136 items*, or 83 percent of the total.

*Judging by the dynamics of the output of the main products, the average daily volume of industrial production during the first part of August 1994 can be estimated at 102 percent of the level for the same period in July this year and 78 percent of the level for the same period in August of last year.*

The following figures are indicators of the degree of reduction (or increase) in average daily output:

Categories	In comparison with same period in:	
	Aug 93	July 94
Reduction of output—total	136	65
up to 10%	11	22
from 10 to 20%	22	18
from 20 to 30%	20	14
over 30%	83	11
Increase in output (100% or over)	17	88
Not produced	10	10

The output of the main producer goods in the first 14 days of August 1994 was the following:

Products	Output in first 14 days of Aug 94	In % of same period in (average daily output):	
		Aug 93	July 94
Petroleum, including gas condensate—millions of tonnes	11.1	91	103
Natural gas—billions of cubic meters	19.9	94	97
Coal—millions of tonnes	7.9	92	104
Steel—millions of tonnes	1.8	88	87
Finished rolled metal, including exports—millions of tonnes	1.4	90	105
Steel pipe, thousands of tonnes	128	76	105
Large electric vehicles—units	99	75	210
Metal-cutting lathes—units	50	22	76
Passenger cars—thousands	29.6	76	82
Tractors—units	596	25	130
Chemical fiber and filament—thousands of tonnes	4.9	51	91
Mineral fertilizer (100% nutritive substances)—thousands of tonnes	220	92	91
Vehicle tires for agricultural vehicles, motorcycles, and motor scooters—thousands	496	37	72
Commercial timber—millions of cubic meters	1.2	60	89

(Continued)		Output in first 14 days of Aug 94	In % of same period in (average daily output):	
Products			Aug 93	July 94
Lumber—thousands of cubic meters		275	62	91
Paper—thousands of tonnes		86.5	84	112
Cement—millions of tonnes		1.6	77	104
Roofing slate—millions of standard tiles		56.2	47	105
Building brick—millions of standard bricks		285	71	105
Soft roofing and insulation materials—millions of square meters		19.7	84	97
All fabrics—millions of square meters		35.1	36	111
Hosiery—millions of pairs		8.4	52	90
Knitwear—millions of articles		3.4	44	125
Footwear—millions of pairs		1.1	33	91
Television sets—thousands		35.4	35	77
Radios—thousands		5.1	15	54
Refrigerators and freezers—thousands		91.5	74	126
Electric vacuum cleaners—thousands		23.2	40	100.7
Washing machines—thousands		49.6	46	114
Meat, including by-products of 1st category—thousands of tonnes		56.9	79	109
Whole-milk dairy products, calculated in milk units—thousands of tonnes		240	86	101
Butter—thousands of tonnes		23.7	67	89
Granulated sugar, including quantity produced from customer-supplied raw materials—thousands of tonnes		33.3	153	122

The items recorded in weekly reports which were not produced during this period of August 1994 were numerically controlled metal-cutting tools, machining centers, pneumatic tire cranes, bulldozers, motor graders, passenger coaches, trolleybuses, tractor-trailers, magnetic tape, and shaving cream.

**Harvest.** Grain harvest figures had been received from 60 territories in Russia by 15 August this year. The grain harvest has been virtually completed in the Northern Caucasus. More than half of the fields in the Central Chernozem zone and some parts of the Volga zone have

been mown. The harvest is under way in the southern oblasts of the central region and in Orenburg Oblast and Altay Kray.

During the week grain crops were mown on an area of 3.8 million hectares and threshed on an area of 3 million hectares, which is 1.5 times the figure for the previous week. In all, one-fifth of the grain crops have been threshed, producing a yield of 24.3 million tonnes of grain—22.6 quintals per hectare on the average, as compared to 24.9 quintals last year.

The following data are indicators of the progress in the grain harvest in Russia on 15 August:

Categories	1990	1991	1992	1993	1994	Increase in report week	Increase in previous week
Grain crops mown (excluding corn), millions of hectares	21.5	32.5	28.0	19.6	13.2	3.8	2.6
in % of sown area	35	55	49	37	27		
Threshed, millions of hectares	18.0	30.7	25.8	16.7	10.8	3.0	1.8
in % of sown area	30	52	45	31	22		
in % of mown area	84	94	92	85	81		
Grain yield (initial storage weight), millions of tonnes	52.2	49.0	58.1	41.4	24.3	6.1	3.2
Quintals per hectare	28.9	19.2	22.6	24.9	22.6		

The average threshing yield per hectare has been lower than last year's figures in the main areas of grain farming.

The work on next year's harvest has begun. Winter crops have been sown on 620,000 hectares, and fall plowing has been completed on 1.4 million hectares.

**Deliveries to Northern Regions.** As of 1 August the quantities of goods shipped to the North were smaller than on the same date last year.

Categories	Jan-Jul 94	In % of Jan-Jul 93
Goods shipped, thousands of tonnes	13,233	54
maritime	2,218	52
internal waterways	11,015	54
Dry cargo	8,772	53
maritime	1,666	55
internal waterways	7,106	52
Liquid cargo	2,151	60
maritime	552	44
internal waterways	1,599	69
Internal waterway timber rafting	2,310	54

The largest reduction in comparison with last year was recorded in goods shipped by *maritime transport* to the ports of Petropavlovsk-Kamchatskiy (3.1 times) and Magadan (1.7 times), the Kuril Islands (3.4 times), the Barents Sea (2.7 times), the White Sea (2 times), and Sakhalin and East Chukotka (1.8 times).

There were reductions in liquid cargo shipped to the ports of Petropavlovsk-Kamchatskiy (2.7 times) and Magadan (1.7 times) and the regions of West Kamchatka (1.7 times), East Chukotka (2.4 times), Sakhalin (2.3 times), and East Kamchatka (2 times).

On 1 August this year there were 75,000 tonnes of products and goods (77 percent of the figure for 1 August 1993) in the port of Arkhangelsk for shipment to the

north, 12,000 tonnes (27 percent) in the port of Kandalaksha, 26,000 tonnes (17 percent) in Murmansk, and 14,000 tonnes (48 percent) in Vladivostok.

The remaining cargo to be shipped to the north in the main sea ports in July this year had increased by 19 percent as a whole, with increases of 1.6 times in the port of Arkhangelsk and of 30 percent in the port of Vladivostok, and reductions of one-third and two-thirds respectively in the ports of Vanino and Kandalaksha.

Since the start of the navigation season the quantity of food and goods shipped by *internal water transport* to the inhabitants and enterprises of the north was smaller than the quantity for the same period last year by a factor of 1.8, including reductions of 720,000 tonnes in the cargo shipped through the port of Tomsk (2.1 times less), 653,000 tonnes (2.7 times) in Osetrovo, 382,000 tonnes (1.8 times) in Lesosibirsk, and 350,000 tonnes (4.4 times) in Kotlas.

The remaining cargo to be shipped to the north by internal water transport on 1 August this year was smaller than the quantity for the same period last year by a factor of 8.2 in the port of Lesosibirsk and amounted to 26,000 tonnes, a factor of 1.4 in Osetrovo (49,000 tonnes), and a factor of 1.2 in Tobolsk (23,000 tonnes).

**Output of Goods for Students.** According to the data of the All-Russian Scientific Research Institute of the Consumer Market and Marketing, the demand for the main types of goods for students is being satisfied (with the exception of rucksacks, pencils, ball point pen refills, and plastic folders). The quantity of school supplies and stationery in the trade network in the first half of 1994 was 37 percent greater than the quantity in the first half of 1993. This was accomplished largely by filling the consumer market with imported school supplies. This factor and the high prices of Russian supplies have reduced the demand for most domestic products and reduced their output.

Products	1993, millions of items		1st half of 1994, millions of items	
	output	in % of 92	output	in % of 1st half of 93
Pencils	268	82	97.8	100.1
Fountain pens	57.8	136	21.2	84
Automatic pens	202	75	58.9	59
ball-point	85.6	54	26.0	60
Ball-point pen refills	279	76	115	97
Student notebooks	849	53	308	89
Other notebooks	82.1	78	27.3	72
Student datebooks	8.1	68	1.6	49
Rulers	17.2	54	8.2	99.4
Sets of drawing instruments	2.7	49	0.5	41
Sketch pads and albums	21.6	67	7.3	66
Briefcases, rucksacks, and bookbags—thousands	1,340	60	337	77

The prices of stationery and school supplies in June 1994 were 10.1 times as high as they had been in June 1993, and the prices of student notebooks were 15.2 times as high.

**Output of Passenger Cars.** There have been perceptible changes in the passenger vehicle market in recent months. The demand for these vehicles remained fairly stable until September 1993, and this kept the production level from declining. In the last few months of last year the continued rise in the prices of energy and the

products of metallurgy on the one hand, and the differentiation of the population in terms of income levels and the appearance of foreign vehicles in the domestic market on the other, reduced the demand for passenger cars. The potential to export vehicles also decreased. Exports of passenger cars in the first half of this year were equivalent to only 72 percent of last year's figures (the indicator was 73 percent in 1993).

The following figures illustrate the effects of these factors on automotive engineering plants:

Producers	Thousands of vehicles					
	1990	1993	93 in % of 90	93 in % of 92	1st half of 94	1st half of 94 in % of 1st half of 93
Russia	1,103	956	87	99.3	370	77
Vehicle Plant imeni Leninskiy Komsomol, Moscow	106	95.8	90	94	33	69
Nizhniy Novgorod Motor Vehicle Plant	72	106	147	153	55	111
AVTOVAZ joint-stock company, Samara Oblast	735	656	89	97	250	75
Ulyanovsk Motor Vehicle Plant (UAZ joint-stock company)	53	58	108	106	24	87
KAMAZ joint-stock company, Republic of Tatarstan	2	5	270	117	3	100.2
IZHMASH Production Association, Udmurt Republic	134	31	23	55	7	38

It was comparatively easy for the Nizhniy Novgorod Motor Vehicle Plant to adapt to the changes in demand by instituting a three-shift workday when the demand for the GAZ 31-02 remained high, and for the KAMAZ joint-stock company, which had always been known for its trucks but is now producing more of the "Oka" passenger cars that are in demand because of their relatively low cost.

#### Decree To Normalize Situation of Mutual Indebtedness

944F1313C Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Aug 94 p 4

[Decree No. 907, issued 9 August 1994 in Moscow, and signed by V. Chernomyrdin, prime minister of the Russian Federation: "On Mutual Clearing of Enterprise Debt on the Territories of Entities of the Russian Federation"]

[Text] In order to improve the condition of settlements, to normalize the financial condition of enterprises, and to restrain inflationary tendencies, the Government of the Russian Federation [RF] hereby decrees:

1. It is recommended that agencies of the executive authority of entities of the Russian Federation organize clearing of mutual debt of enterprises located in the region, as follows:

—Mutual clearing up to the level of debt as of 1 July 1994, confirmed by appropriate documents;

—Inauguration of regional mechanisms for improving settlements so as to take into account the peculiarities of regions and to commit to this purpose the financial resources of the territories, including the funds of the financial market;

—Use notes and bills as a form of settlement within the region, taking advantage of the experience of the Republic of Tatarstan.

2. The RF Central Bank is requested to extend supports in methods and organization to the clearing of accounts within the region and help to promote the commitment of credit resources by commercial banks to these purposes.

[Signed] B. Chernomyrdin, prime minister of the Russian Federation

#### Decree Outlines Procedures for Issuing Treasury Bonds

944F1313A Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Aug 94 p 4

[Decree No. 906, issued on 9 August 1994 in Moscow, and signed by V. Chernomyrdin, prime minister of the Russian Federation: "On the Issue of Treasury Bonds"]

[Text] In order to optimize the process of fulfilling the federal budget and reducing the rate of inflation, the Government of the Russian Federation [RF] decrees as follows:

1. It concurs with the proposal of the RF Finance Ministry on the issue of treasury bonds, beginning in August 1994, as set forth in the Basic Conditions for Issue of Treasury Bonds.
2. The Basic Conditions for Issue of Treasury Bonds, appended hereto, are hereby adopted.

[Signed] V. Chernomyrdin, prime minister of the Russian Federation

#### **Basic Conditions for Issue of Treasury Bonds**

1. The issuer of treasury bonds shall be the RF Ministry of Finance.
2. Treasury bonds shall be issued in series, whose size and issue dates are fixed by the RF Ministry of Finance.
3. The treasury bonds of any series shall have the same issue dates, retirement dates, face value, interest rate, and maturity.
4. The maturity, interest rate, and face value of treasury bonds shall be fixed at the issue of any series by the RF Ministry of Finance.
5. Treasury bonds shall be issued in nondocumentary form on the basis of contracts with authorized depositaries.
6. Treasury bonds shall be placed with legal entities, which under RF legislation are residents (hereinafter "Russian legal entities"), according to the procedure established by the RF Ministry of Finance (Main Administration of the Federal Treasury).
7. Russian legal entities and individuals may become holders of treasury bonds.
8. When treasury bonds are issued, the RF Ministry of Finance deposits a global certificate covering the entire issue (series) in a central depositary authorized by the RF Ministry of Finance.
9. The issue (series) of treasury bonds is placed by transferring the relevant number of treasury bonds to the holding accounts of the primary holders in the central authorized depositary or in holding accounts in other depositaries authorized by the RF Ministry of Finance through their correspondent holding accounts in the central authorized depositary, depending on the latter's operating conditions.
10. The circulation of treasury bonds occurs only in nondocumentary form in the holding accounts in the authorized depositaries, which are required to keep their own and customers' treasury bonds in the central authorized depositary.

11. The authorized depositary (including the central authorized depositary) can register purchase-and-sale transactions of treasury bonds and also keep a record of the tax obligations of holders accruing on their bonds.
12. The RF Ministry of Finance (Main Administration of the Federal Treasury) shall be accountable for punctual retirement and payment of interest on treasury bonds.
13. The income from interest on treasury bonds shall be paid by the RF Ministry of Finance (Main Administration of the Federal Treasury) simultaneously with retirement of the treasury bonds.
14. The RF Ministry of Finance may designate a payment agent to handle money transfers on a noncash basis on the date of retirement of treasury bonds to the bank accounts of holders.

#### **Edict on Finishing Construction of Oskol Electrometallurgical Combine**

*944F1313B Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Aug 94 p 5*

[Decree No. 1667, issued in the Kremlin, Moscow, on 9 August 1994, and signed by B. Yeltsin, president of the Russian Federation: "On Additional Measures To Complete Construction of Facilities of the Oskol Electrometallurgical Combine Joint-Stock Company"]

[Text] In order to develop the production of competitive types of metal products at the facilities of the Oskol Electrometallurgical Combine joint-stock company, I decree as follows:

1. The proposal of the Oskol Electrometallurgical Combine joint-stock company supported by the Committee for Metallurgy of the Russian Federation [RF], other interested ministries and departments of the Russian Federation, and the Administration of Belgorod Oblast, concerning completion in the period 1994-1997 of construction of the complex for rolled products, shops for the production of building materials, and the employee welfare facilities of this joint-stock company, in accordance with contracts concluded earlier, as indicated in the appendix, using a foreign exchange loan obtained on condition of repaying the funds received out of proceeds from the sale of the products of this joint-stock company, is hereby adopted.
2. The Oskol Electrometallurgical Combine joint-stock company shall be exempted from mandatory sale of the foreign exchange proceeds obtained in the period 1995-1997 from exporting its own products and services, provided the proceeds are committed to carrying out measures in conformity with Point 1 of this decree.

3. The RF Government shall work out measures for state support of the Oskol Electrometallurgical Combine joint-stock company within the limits of the selective industrial policy of stimulating exports of competitive products at a high level of finishing.
4. Use of the foreign exchange for the stated purpose, pursuant to Point 2 of this decree, shall be monitored by the Russian Federal Department for Foreign Exchange and Export Control.
5. This decree shall take effect on the date it is signed.

[Signed] B. Yeltsin, president of the Russian Federation  
Moscow, the Kremlin  
9 August 1994, No. 1667

#### Railway Collegium Reviews Sector's Performance

944E1110B Moscow GUDOK in Russian  
4 Aug 94 pp 1-2

[Article by GUDOK correspondent V. Lendov: "Flexibility, Entrepreneurship, Economy"]

[Text] Novosibirsk. Financial results of a railroad's activity consist of two components—funds received for the work done and a reduction in its own expenditures. The results of the first half-year show that at the West Siberian mainline in both directions, on the whole, work has been carried out successfully. Since the beginning of the year, transport of delivered freight and passengers has been ensured in full volume.

Unfortunately, there is a sharp decline in the volumes of freight dispatch, freight turnover, and passenger flow—even as compared with forecasts. For example, instead of the 23.3-percent reduction expected by the first half of 1993, the freight turnover, in fact, has dropped by 31.2 and the passenger turnover, by 11.7 percent instead of 0.1.

Since the West Siberian Railroad operates mainly as a transit railroad, the reduction of 24.1 billion tonne-km in the freight turnover was due mainly to the decline in the receipt of freight from neighboring railroads. Owing to the drop in the transport volume, R55.6 billion of income less than anticipated were obtained. The income from passenger transport comprised 100.4 percent (R55.8 billion) largely owing to the rise in rates. On the whole, (although the final balance has not yet been drawn up), during the first half-year, with a plan for a balance profit of R13.9 billion, 73.3 billion are expected, including 42.3 billion from shipments and 31 billion from subsidiary-auxiliary activity.

"Fulfilling the decision of the Ministry of Railway's collegium of 11 March 1994," V. Zayko, first deputy chief of the railroad, says, "we carefully analyzed the technology of operation of departments and enterprises. We adopted a policy of raising the level of maintenance work, bringing it into conformity with the existing transport volume, inspecting existing technological processes, and saving fuel and energy resources."

By order of A. Borodin, chief of the railroad, of 12 April 1994, a program for the development of reforms and strengthening of the mainline's financial position was approved. Special attention was paid to an improvement in technological processes. The disengagement of three leading-out and six shunting locomotives with the change in the technology of operation of station junctions, as well as the transfer of marshaling brigades to work "as one person," produced an economic effect of almost 1 billion.

The technology of operation of commodity offices of four stations was changed. Seven stations were closed for freight operations, another 10, for the shipment of containers and small batches, and so forth. We stopped the commercial inspection of trains in the westbound yard of the Barabinsk Station and in the odd-number yard of the Irtyshskoye Station.

The improvement in the technology of operation at the technical service station, unification of station yards, and prolongation of halts of trains for their processing yielded more than half a billion. Such a measure as the optimization of locomotive rotation sections yielded almost R12.5 billion.

Such new technologies as the annealing of the roll surface of wheel pairs before turning at the Inskaya Railroad Depot and the repair of TR-3 diesel locomotives at the Barnaul Locomotive Depot, instead of their dispatch to the Poltava Plant, also produced an effect.

In all, the realization of technical and technological measures made it possible to dismiss 3,081 people, the economic effect totaling 76.9 billion rubles.

Under present conditions, the search for additional income sources has acquired special importance. Since the beginning of the year, collectives of the West Siberian Railroad already have had many billion rubles to their credit. Mechanized divisions for loading and unloading operations have expanded the volume of additional services (1.7 billion). Transport and dispatch services for freight owners have yielded another R1.2 billion. The improvement in the quality of passenger services is also profitable. Placing four trains in the category of comfortable trains has yielded R4.5 billion.

Skillful work with clients plays a significant part in the reduction of expenditures and increase in income. The application of contract rates alone yielded 9.2 billion. Contracts on prepayment with freight owners have become ever more widespread. Whereas during the first quarter 316 contracts were concluded, on 1 July there were more than 1,000 of them.

Freight owners' payments are the main source of funds. On 1 July debts amounted to an impressive figure—R111 billion. In the last two months, they have stabilized despite the increase in rates.

Mutual offsets have been carried out at the railroad for two and a half years. Since the beginning of the year,

products worth R180 billion, which are to be credited toward debts for shipments, have been received. The Omsk Petroleum Refining Plant Joint-Stock Company is one of the mainline's principal debtors. The railroad concluded a long-term agreement with it and developed a special program for settling debts. For example, the partners agreed to discount the rate of local shipments of petroleum products by 20 percent, and the plant began to release its products at preferential prices. With such an approach, in June alone, the debts of the Omsk Petroleum Refining Plant were reduced by half.

As already stated, the conclusion of contracts on prepayment produces an effect. Overdue debts are also being reformulated into long-term liabilities. An agreement has been reached on support with banks servicing debtors. Claims against nonpayers have been submitted to the appropriate authorities, and actions have been brought against them much more often than before. The organization of a wide range of mutual offsets has already enabled the railroad to almost fully settle its debt for the consumed electric power.

"We do not believe," V. Zayko adds, "that all the possible measures to settle debts have been activated and are applied efficiently. In addition, there are specific nuances here. For example, as soon as we are carried away by the recovery of debts in the form of finished products, the proportion of money earnings declines."

The funds received from the settlement of debts are used primarily for the payment of wages to railway workers. Their prompt issue will be restored by 1 September.

The payment for materials for the permanent way is the second priority direction in their use now, at the height of the track repair season. The settlement of the railroad's debts to plants for the repair of the rolling stock is no less important. True, progress has been noted here—a considerable quantity of various goods has been transferred to plants.

During the second half-year, the fulfillment of the program approved in April will continue and will make it possible to obtain an economic effect of no less than R70 billion. All this makes it possible to hope for a deficit-free balance based on the results of 1994, for the fulfillment of the rate agreement and of the housing construction program, and for the solution of other social problems.

#### First Deputy Minister on Railway Workers' Day 944E1110A Moscow GUDOK in Russian 4 Aug 94 p 1

[Unattributed article: "Meeting With Journalists"]

[Text] On the eve of Railway Workers' Day, a briefing by First Deputy Minister O. Moshenko with radio, television, and central and Moscow newspaper correspondents was held at the Russian Federation Ministry of Railways.

Having familiarized journalists with the state of affairs in the sector, Oleg Anatolyevich noted that the preservation of the unity of the railroad system and fulfillment of obligations to freight owners, passengers, and, on the whole, the state were the main results of the path traversed during the year.

Railway workers greet the present professional holiday under complex economic conditions, when there is a decline in freight transport, while passenger transport, despite unprofitableness, has reached a peak during the summer period.

"Since the beginning of the year, Russia's railroads have transported 650 million tonnes of freight and 1.2 billion passengers," O. Moshenko said. "The profitability level has now risen to 16.2 percent. This under conditions when freight transport volumes have decreased by almost one-fourth, as compared with last year. The uncovering and realization of internal reserves, reduction of operating expenditures, and development and expansion of services contribute to an increase in profitability."

Oleg Anatolyevich stressed that the Ministry of Railways was against a rise in rates. In December of last year, it was proposed that both rates and products purchased for the needs of railroads be frozen. However, there was a one-sided action—rates were frozen, but prices continued to rise. According to the results of the first quarter of 1994, railroad transport was unprofitable. Debts also now continue to have a negative effect on the sector's financial state. They do not make it possible to promptly settle accounts with suppliers of products. As of today, debts total R3.5 trillion. In essence, the sector provides free services, although there are positive examples in the solution of this problem at the Moscow Railroad, where work on settling debts is carried out systematically.

Passengers are the object of railway workers' special concern. Summer transport has shown that railroad transport remains the most affordable for Russians, but, as far as income is concerned, both in long-distance and local traffic, expenditures on passenger transport are covered 40 percent and in suburban traffic, 10 percent. At the same time, Russian railway workers transport daily 700,000 passengers in long-distance traffic and 5 million in suburban traffic, using 850 long-distance trains and 5,000 suburban trains daily for this.

In July, the wages of workers in basic activity totaled R336,700. The ministry pays close attention to problems of prompt wage payments, and support is provided for war and labor veterans. And what is very important, the program for the construction of housing and projects for social, cultural, and everyday services is being fulfilled.

New economic conditions introduce changes in the solution of urgent problems of the day. This is natural. It is only necessary to promptly and flexibly respond to the demands of the time.

At the conclusion of the briefing, the first deputy minister congratulated railway workers on the professional holiday and wished them health and success in work.

### Collegium Critiques Railway Operations, Performance

944E1156A Moscow GUDOK in Russian  
23 Aug 94 pp 1-2

[Article by L. Kizilova and V. Gitkovich: "A Flexible, Mobile Structure"]

[Text] The expanded session of the MPS Collegium, which took place the other day, routinely refuted (and perhaps for good) the oft-heard charges of the sector's sluggishness and conservatism. It is not a clumsy and awkward monopolist, but a flexible, mobile structure, receptive to constructive criticism, mastering the new "rules of the game," and asserting its position in the market—this is the "portrait" of the sector today, against the background of reform.

Just six months ago, at the December collegium, a strategy was adopted for economic stabilization of the work of the railroads. Already, more than once in the course of this six months, the sector's work force and the mainline directors have assembled to introduce correctives in this strategy, or, as the minister likes to say, to "check their watches." The collegium in March. The assembly of road chiefs at the beginning of August.... Now the regular large council, at which the economic strategy will again be corrected on the basis of the dynamics of practical experience, in consideration of what has been achieved and what has been omitted.

We will not quote the report of O. Moshenko, first deputy minister—it was published in GUDOK. We will dwell only on its characteristic features. The report (just as the collective decision of the collegium) is distinguished by maximum saturation with economic information. A thorough analysis and a constructive approach prevail in it.

G. Fadeyev, minister of Railways, gave a tough assessment, in his introductory remarks, of the speeches of some of the road chiefs at the recent Assembly. This is understandable: time dictates the need to augment the role and personal responsibility of the directors.

There are problems, however, which the road chiefs will not be able to solve without the active support of the "upper echelons." As far back as spring, at a press conference at government house, O. Soskovets, first vice-premier, in answer to a question on the non-payment crisis, said, "this is not a government question." Today, however, it is he who heads the government commission on surmounting the non-payment crisis. Just what, then, does this say about the road chiefs?

Indeed, practical experience has shown: when the leader takes an active stand, you can get going on the problem

of debtor indebtedness. The experience of the Moscow Railroad (which I. Paristy, its chief, confirmed in his speech) convinced everyone of this. All the same, though, how much effort was spent on this! Effort which could have been used more effectively, if the system of overcoming insolvency had been worked out in time, not only on the scale of the Moscow Railroad, but also on the scale of the country.

State support is needed for other important problems, too: in drawing up a Law on Railroad Transport Taxation which takes into consideration the specific nature of this transport, in allotting subsidies from the budget to compensate for losses from passenger transport, and in solving the problem of ownership.

The minister dwelled particularly on the last point—once again, in connection with a speech given at the Assembly (F. Kotlyarenko, chief of the North Caucasus). The minister noted that Fedor Makarovich had a good knowledge of this problem. "You cannot say that it is solved. It is not solved. He rightly insisted that it is one of the main problems which must be solved at all stages, because ownership on the railroads should today provide an appropriate revenue," said the minister.

Let us remember, by the way, that O. Sharadze, chief of the Gorkiy Railroad, also posed this question at the December collegium. As before, though, Goskomimushchestvo is "running the show," and not abandoning, meanwhile, its long-standing dream of making the railroads into a joint-stock company. Here, turning to I. Paristy's speech again, let us note his clear-cut position: the railroads should remain the state's, with a unified structural administration. He expressed this view on behalf of all the road chiefs—and the minister supported it absolutely.

Let us return, however, to the problem of the director's personal responsibility, for it was paid a great deal of attention, particularly in the context of the state of traffic safety. Unfortunately, the bitter statistics of accidents and wrecks changed swiftly on the eve of the collegium session. The tragedy on the Southeastern Railroad, and the train collision on the North Caucasus Railroad, which might have turned out to be even more dramatic—all this leaves no doubt as to the lack of responsibility and professionalism. And most unforgivable is the inability to learn a lesson from previous catastrophes.

They all, as a rule, have quite a narrow group of reasons: the structural shortcomings of the rolling stock; irresponsibility in its depot repair and preparation for a run; broken-down track and the imperfection of technical safety devices; and finally, the criminal violations of discipline by the personnel—the dispatcher was yawning, the engineer was asleep. There is a State Safety Program, there are plans for technical measures, there are orders and instructions.... They conduct investigations and hold inquiries. But people continue to die....

Certainly, the means suggested by the minister could be truly radical: show all the road directors and everyone who drives trains and controls their movement a film of the grief and destruction for which they were to blame.

In addition (I. Paristy spoke of this), there must be a change in the principles of disciplinary and administrative responsibility, taking market conditions into consideration—but the obsolete laws will not allow this to be done.

There is nothing new in complaining about safety. In the discussion of economic problems, however, a great deal was heard that was new—and this is not just the vocabulary: "futures," "promissory note," "marketing." The innovations lay in the new statement of the problems, and in the actual approaches and principles.

Perhaps the main thing is the need to revise the technological principles of the transport process on the basis of the changed economic reality (to put it simply, the drop in transport volume). This was reflected in the report and in the resolution. Of the speakers, I. Paristy was the most convincing on this subject. While technology used to be oriented toward increasing throughput capacity, the tasks are different today. "Technology must be turned into economy. We need technology for the sharp slump in transport volume," feels the chief of the Moscow Railroad. At the same time he noted that logical, "scientifically" substantiated norms must be set for all the most important indicators (in particular, the size of the staff).

I. Vorobyev, chief of the South Urals Railroad, spoke of the need for technically substantiated indicators for low-activity sections. The following was written into the draft of the resolution: "In the period before 1 October, submit proposals on correcting the norms for labor input, in accordance with the volume of work performed." Attempts are therefore being made to include an anti-expenditure mechanism for operation of the railroads. Not by groping, blindly or empirically, but on a scientific basis. "But what can we do?"—the minister appealed to the sector's scientists in this connection. He expressed his dissatisfaction with what sectorial science had done up to today: its studies should be more practical. "Where is this new technology? There is none," the minister concluded.

The task of separating the variable expenses (30 percent) from all other expenses was set for the first time. B. Lapidus, chief of the Economic Main Administration, named three basic loss items: passenger and refrigerator transport, and low-activity lines.

The demands on sectorial science today are increasing as never before. It is enough to name a few more tasks, "assigned" to it by the resolution of the collegium: work out the criteria for the volume of capital investments, examine the basic approaches to classifying the routes and sections of the network; make a strict selection of NIOKR [scientific research and experimental design

work] projects proposed, and determine a unified procedure for indexing prices for railroad transport; study the question of territorially differentiated tariffs, etc.

Let us dwell particularly on the tariff policy. There are improvements at hand in the approaches to these problems. We already know about the moratorium until 15 September. The words "flexible" and "differentiated," combined with the word "tariff" were heard with increasing persistence—and this is also the demand of the times. Revise the list of services offered, in accordance with contractual tariffs—that formulation of the question indicates an understanding of the real situation at the sites, where cases of abuse of "free" tariffs repel the clientele. As V. Logunov, chief of the Commercial Main Administration, expressed it, "this is simply fleecing."

The deadlines outlined were tough—the new list of "work and services" should be put in force before 1 September. But the matter of applying territorially differentiated tariffs is being put off for a long time: "working out the problem" of introducing them is slated only for 1994-1995. The difficulty of this problem, as far back as a year ago, was of a technical nature—a lack of the necessary equipment. At that time the Commercial Main Administration said that it would take a year or two to solve this problem. After all, though, a year has already passed, but even the "working out" of the problem is slated only for the boundary of 1995. We do not have to mention the need for territorially differentiated tariffs—it has long been extremely urgent and is holding back the economic development of whole geographic regions. This is felt particularly keenly in Siberia and the Far East. It is not by chance that a special conference on this problem was recently held in Irkutsk. A. Vasilyev, chief of the Sakhalin Railroad, spoke of the adverse effect of this factor on transport volume.

Quite a lot was said about work with the clientele. There are basic trends here—expanding the circulation of promissory notes, orientation toward the use of futures contracts. In freight transport, more active work is being done on contracts with a predominance of prepayments and intensification of market research. It is gratifying that the need for vocational training of personnel for work in marketing structures was named as one of the principal points.

The latter also pertains to passenger transport. V. Shatayev, chief of the Passenger Administration, acknowledged that "the railroads do no marketing work."

The market niche in the sphere of services rendered to passengers has clearly not been filled. V. Shatayev gave this example. They get 200,000 rubles [R] from someone for a taxi from Domodedov to Moscow. Is it really not possible to organize business class consist traffic here? He also dwelled on the low level of service on additional trains, where the directors have no control. He mentioned serious miscalculations in drawing up the traffic

schedules: in them, surprising as it may seem, they deliberately have freight cars overtake passenger cars. A passenger train may come to a standstill for about 40 minutes (in transferring from division to division). The conclusion drawn by the chief of the Passenger Main Administration: "A level has been reached in the cost of a trip, at which quality is tied in with economics."

There are, in general, many more reserves for attracting clients to railroad transport. Unfortunately, no mention was made, for example, of how fulfillment of the resolution of the December collegium on developing advertising is proceeding. Incidentally, anyone at all may use the services of GUDOK's advertising department, but the railroads and transport enterprises rarely do.

The importance of the banking system set up on the road network is increasing: The task is set of drawing in freight consignors and consignees as clients, and of extending them credit to settle for transport. This, in the opinion of I. Besedin, deputy minister, will make it possible not only to develop the network of banks, but also to come to know the potentials of the client. No one of those speaking, however, said a word about the role of Zheldorbank. Is its role in the sector's economic and financial processes really so insignificant?

Provision was made for speeding up the adoption of the new Regulations on Railroads, the Law on Federal Railroad Transport, and also of the necessary normative documents, which would make it possible for the roads to conclude contracts with the sector's enterprises on the assignment of state property.

O. Sharadze, chief of the Gorkiy Railroad, singled out an imperfection in the existing Regulations on one very important point: the roads should be legally assigned the right not to turn over railcars to a client if there is no payment. At present this right is not written in anywhere, and in case of failure to supply railcars, the anti-monopoly committee begins to "put pressure" on the railroad workers. At the same time, the minister noted that a commission had been given to the appropriate main administrations to work out this point in the Regulations, but it had not been fulfilled.

The "punctures" in executive discipline are also evidenced by a fact introduced by I. Besedin, deputy minister: not all the roads have submitted a schedule for clearing off debtor indebtedness, even though ten days were given for this.

G. Alekseyev, deputy chairman of the Committee on Industry and Transport of the State Duma, attended the meeting of the collegium. He noted the high competitiveness and professionalism of the MPS management, and recalled the successful speech made by Minister G. Fadeev at the Duma in the spring.

G. Alekseyev, meanwhile, noted that, since there is an agrarian party, why not create a transport workers party? This would help to protect their legislative initiatives. In

evaluating the level of work of the sector and the MPS, he emphasized: "This is a ministry which does not sit idle."

One could end on this very optimistic note: This view of the sector from outside gives full grounds for optimism. All the same, we should not wish to labor under any delusions about the situation: it remains very tense. We have not surmounted the crisis of insolvency, and the landslide drop in production volumes continues. The production slump for industry as a whole is 27 percent, and in the science-intensive sectors—40-50 percent (in the first half-year). Ninety percent of the industrial enterprises are insolvent. Correspondingly, no increase in transport volume is being predicted for the next few years. Transport, the connecting link of the sectors of the national economy, will apparently have to "keep up its spirits" for a while longer, working under conditions which are increasingly severe, and proving its vitality. In this situation, the presence of a well-thought-out, flexible strategy is all the more important. It exists, and it should be put into effect.

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The ER200 departed smoothly from the platform at the capital's Leningrad terminal, and the journey of those participating in the expanded out-of-town MPS collegium to a world of the newest track equipment began. From the loudspeakers, installed in all the cars, they heard the story of what they were to see on the section from the Moscow-passenger station to Tver.

The consist, scattering a mass of sparks from under its wheels, had already startled many people at the Khozrino Station.

"You can see the work of the rail-grinding train," they explained to us over a megaphone, "in three or four passes it removes up to one millimeter of metal, evens out the surface and restores the profile of the rail heads."

"But why? The rails are smooth as it is," a journalist alongside me shrugged his shoulders perplexedly.

They explained to him that the water-formed wear, invisible to the naked eye, caused increased vibrations, which accelerate the wear and tear on the rolling stock and are bad for the track. For this reason alone, work volume to maintain the rails is increasing by 15-20 percent, and the service life of the rails is reduced by one-fourth.

Just a little later, they showed us how they remove from the track a long length of welded rails which have served out their life on a section with heavy traffic, and then transfer them to low-activity sections.

At another place, they have laid switch assemblies, assembled in parts, on reinforced concrete ties. Formerly, a switch was always laid on wooden ties. Replacing them with reinforced concrete ones makes the switch assembly more stable. Crane-laying this crossing in pieces considerably simplifies and speeds up this

operation. The new ties are of course much heavier than the wooden ones, but it is obvious that the EDK-300 crane doesn't feel the difference. It freely lifted and swung around the heavy blocks, from which, before the eyes of those attending, the future switch was installed.

A few kilometers farther on, at the Khimika Station, the Austrian RM-80 machine, of the Plasser and Theurer firm, was cleaning the ballast under the switch assemblies. This was an absolutely impressive sight.

The endless belt of the gripping mechanism moves deep under the rail-tie grid. Its blades bite into the thick mass of ballast, drawing it behind them, along an enclosed trough, up to sieves and screens. The crushed rock, freed of litter, is poured down, in its former place, and the earth, sand and remnants of various types of friable freight and small fractions of ballast are fed by conveyor to hoppers.

In an hour, 400 cubic meters of ballast are cleaned to a depth of from 300 to 1,200 millimeters, with a maximum swath of up to 5 meters. These are impressive figures, as they say. It has only one shortcoming, but it is quite a substantial one—it costs \$3,200,000.

The length of the training "window" was calculated as five hours. The normal time. The testing ground on which the machines were arranged, however, clearly exceeded the usual measurements.

Its profound import, though, lay in this. The people, surprised by the various operations and machines, had to have time to evaluate them, to exchange opinions, to discuss the questions that arose—and by the way, not just in a "window." After all, the road chiefs, presidents and general directors of joint-stock companies, plants and the foreign firms that made the track equipment, all gathered together, most likely for the first time, to talk about such an important matter as mechanizing track work.

It would seem that these conversations and familiarization with the new equipment were undoubtedly useful.

The SCh-600 crushed rock cleaning machine, which also cleans the ballast thoroughly and carefully, returning the part fed to it back again to the track, also proved itself in action. Produced by the Kaluga Track Repair Machine Plant, in conjunction with the Czech Joint-Stock Company MTX Praha, it is already known to our readers. By the way, it is substantially less expensive than the similar machines made by foreign firms.

O. Soskovets, RF first vice-premier, was very interested in familiarizing himself with the models of the new track equipment. It was explained to him by G. Fadeyev,

minister of Railways, and V. Sazonov, chief of the Lines Main Administration. The latter asked the vice-premier to assist in getting certain financial benefits for transport.

The point is, that now, in importing, let us say, that same RM-80 from Austria, we have to pay about \$800,000 (VAT plus customs duty). It is as if this machine was being imported here for resale or would begin to put out a product, the sale of which would bring immediate income. This request also applies to the parts which we must for the time being import from the Czech Republic for the jointly produced SCh-600.

O. Soskovets, in answering the questions of the correspondents, stressed the fact that railroad transport, one of the basic sectors of the national economy, is working very stably. This stability is based on the reliable work of the track services. The MPS has worked out new technology and new technical devices which were also shown at this out-of-town collegium. Not only are the road directors taking part in it, but also the domestic track-machine-building plants, conversion enterprises and foreign firms, which makes it possible to better set up production of this equipment for the railroads.

After that, already at Kalinin Station, those participating in the trip saw the work of the track stabilizer, one pass of which, on newly laid rails, is similar in its effect on the track to the transport of 1 million tonnes gross weight. The well known VPR-02, an electric ballaster and other machines were also shown. In addition, motorailers and various machines used for routine track repair were exhibited.

O. Sharadze and V. Atlasov, chiefs of the Gorkiy and Southeastern railroads, V. Dubrovin and P. Antpin, directors of the Kaluga and Tikhvin plants, E. Potemkin, director of VNIItransmash, the director of the Plasser and Theurer Company, and others spoke during the exchange of opinions. They all mentioned the usefulness of these meetings, and came out in favor of close interaction between the railroad workers and the machine builders.

One of the specific confirmations of this, for example, may be the fact that G. Komarov, chief of the East Siberian Railroad, told V. Dubrovin, director of the Kaluga Plant: I will take three of your UM-1 and as many SCh-600's. Send me the contract and I will sign it."

The representatives of the other railroads probably did or are doing the same thing. Consequently, the fulfillment of the program for introducing a new system for carrying out track service, based on resource-saving technology, will get real support.

## POLITICAL AFFAIRS

## Party Criticizes Crimean Executive Branch

944F1374A Moscow NEZAVISIMAYA GAZETA  
in Russian 19 Aug 94 p 3

[Report by Aleksandr Pilat under the rubric "Crimea": "The Crimea-Russia Idea Has Not Become A Determining Factor in the Work of the Government; So the Coordinating Council of the Republican Party of Crimea-Republican Movement of Crimea Party Believes"]

[Text] An enlarged Coordinating Council of the Republican Party of Crimea-Republican Movement of Crimea Party (RDK) has adopted a statement that observes that the break in the work of the first session of the Supreme Council of Crimea marks the end of an "important new stage in the formation of the Republic of Crimea that began with the election of a president and a new Supreme Council." The convincing election victory of the Russia bloc, the basis of which was the RPK [Republican Party of Crimea], confirmed as clearly as could be the support for the program initiatives of the Russia bloc and the RDK providing for the formation of the Republic of Crimea as an equal member of the CIS, the restoration of unity with Russia, and the rejection by the citizens of Crimea of Ukrainian nationalism as the official ideology. The Supreme Council of Crimea has recently, with the active participation of the Russia bloc, the document says, adopted most important decisions and official acts: The Constitution of the Republic of Crimea of 6 May 1992 has been restored and the Law on Citizenship of the Republic of Crimea and the decree on draftees' military service in Crimea have passed in their first reading. Five rounds of negotiations with Ukraine, at which the delegation of the Supreme Council of Crimea has upheld the principle contained in the constitution of the transfer of the relationship between Crimea and Ukraine to a treaty basis, have taken place. Work is being performed constantly on the implementation of other program propositions of the RDK party and the Russia bloc.

But it has to be acknowledged, the statement maintains, that in having pronounced the executive in the shape of the Government of Crimea "outside of politics," Deputy Prime Minister Yevgeniy Saburov has, in fact, distanced himself from the Russia faction and the forces that won the support of the voters at the elections. Despite the moratorium on privatization announced by the Supreme Council of Crimea, the squandering of public assets and their unlawful transfer to private hands in Yalta, Alushta, Sudak, Feodosiya, Yevpatoriya, and other cities continue, which indicates a loss of government control of the actions of the local authorities. The privatization program proposed by Saburov practically precludes the equal participation in it of the vast majority of citizens of Crimea and is contrary to the program principles of the RDK and the Russia bloc.

The authors of the statement are concerned at the trend of the executive, which is relying on "the compromised nomenklatura and the forces that the electorate has denied its trust. The Crimea-Russia idea has not become a determining factor in the work of the government. The need for and possibility of transition to the ruble space are denied, and negotiations with Russia on this matter and also on the possibility of the tuition of Crimeans in educational institutions of Russia are not being conducted. The Government of Crimea has still not formed an authorized delegation for negotiations with the Government of Russia on the entire set of political and economic problems. "Saburov's government is not preventing public servants of Crimea from taking an oath of loyalty to Ukraine. The government has taken no specific steps in realization of the decree of the Supreme Council of Crimea on Crimean draftees' performing their military service on the territory of Crimea," the statement says.

The enlarged Coordinating Council of the RPK considers abnormal a situation where the executive is beginning to consider itself an independent political force with a program that is differing increasingly from the election program of the president and the Russia bloc. Since the RPK is not represented in the executive authorities, it cannot under the current circumstances, as a participant in the Russia bloc, "bear the responsibility for the actions of the Government of Crimea headed by Yevgeniy Saburov."

Sergey Tsekov, chairman of the RPK-RDK Party and chairman of the Supreme Council of Crimea, took part in the enlarged session of the Coordinating Council.

## Kuchma Acts in 1992, Present Seen Similar

944K2187A Lvov POST-POSTUP in Ukrainian  
No 28, 11-18 Aug 94 pp A1-2

[Article by Oleksandr Sonechko: "President Kuchma Has Found Himself an Adviser. It Is Prime Minister Kuchma"]

[Text] Two weeks have passed since Leonid Kuchma officially assumed the post of president of Ukraine. If we compare the actions of President Kuchma to those of Prime Minister Kuchma, we will see almost nothing new, perhaps because most of the initial steps of Leonid Danylovych the president are very much like the first steps of Leonid Danylovych the prime minister.

In the fall of 1992, when Kuchma was elected prime minister, he embarked on fighting the mafia and corruption, having publicized numerous facts of abuses in the upper echelons of power. His struggle accomplished almost nothing. Nonetheless, at present, in the summer of 1994, when Kuchma was elected president, he once again began his state activities the same way, and issued an edict on combating crime.

It was precisely in Prime Minister Kuchma's times that democrats such as Ihor Yukhnovskyy, Viktor Pynzenyk, Ivan Dzyuba, and other individuals, often very young, ended up in the supreme offices of power for the first time. At present, just a handful of this team remains, but the trend continues. Professionals aged between 30 and 40 are now coming to Kuchma's team; most of them have never held lofty state positions. At the same time, a trend whereby people holding very opposing views become members of the same team is apparent now, just as it was during Kuchma's tenure as prime minister; this lays a "delayed-action mine" under the foundation of presidential power. In this instance, it would suffice to recall heated discussions between antagonists such as the group of reformers in the Kuchma government headed by Viktor Pynzenyk and the group of conservatives which at that time was represented in the government by Volodymyr Demyanov, Hryhoriy Pyatachenko, Yuriy Karasyk, and others. This time, the line of confrontation may also separate new aides to the president.

Having become prime minister, Leonid Kuchma became the first among the supreme officials of the state to begin talking about the need to revise the concept of building up the state, and continuously argued in favor of closer cooperation with Russia. Having become president, Kuchma boldly mapped out the stages of the "great path"—from granting Russia the status of an official language to integration "into the Eurasian space"—as early as in his inauguration speech.

Just as during his first rise, Kuchma succeeded in attracting the attention of the West to his person. During this time, Kiev has been visited by Executive Director of the International Monetary Fund Michel Camdessus and U.S. Vice President Albert Gore—people whom Leonid Kravchuk altogether failed to see in Kiev in his time.

It was precisely during Kuchma's tenure as prime minister that a conflict between the different branches of power flared up. Let us recall, for example, the notorious "fight under the carpet" for powers between Kuchma and Kravchuk in which Ivan Plyushch acted as the third decisive force. A crack in relations between the different branches of power after Kuchma's arrival is already visible now. Despite the signed declaration on joint actions, Kuchma, Masol, and Moroz will take advantage of any opportunity to harm one another. Kuchma would like to see "his people" in the government, to which Masol most frequently responds in the negative. Vitaliy Andriyovych responds likewise to Kuchma's attempts to interfere in the management of the economy. Meanwhile, the deputies elicited a negative response from the president, having issued decrees on suspending privatization, carrying out new emissions of currency in support of agriculture, and at the same time raising their salaries to previously unheard-of heights. Previously, Oleksandr Moroz himself had criticized Kuchma's first edict on combating crime, and harbored a grudge against Kuchma for procrastination in the adoption of the Law on Councils (in keeping with which fewer powers will be

left to Kuchma than he had during his tenure as the director of the Southern Machine Building Plant).

Obviously, more than just the desire to gain authority among the "plebeians" is behind these "repetitions." Kuchma is trying to implement his understanding of the kind of order, reforms, and system that should exist in Ukraine. Now that he already is in the president's seat, Kuchma is trying to do the things he did not manage to do when he was in the prime minister's seat.

However, it is not known what price we will have to pay for Kuchma's new try, because if Kuchma the person once again gains the upper hand over Kuchma the politician, "economic fluctuations" will no longer allow us an opportunity to see the bright present day in an independent state. Two factors—the formation and activities of the Kuchma "team," and his relations with yet another prominent politician in modern history, Oleksandr Moroz—may shortly play a decisive role in our future.

So far, the formation of the Kuchma team and its initial steps give rise to mixed feelings. As it is, the odious Lelyk and Pustovoytenko work on his team along with well-known professionals—the economist Kuznetsov or the diplomat Furkalo. Yet, as of now, Dmytro Tabachnyk, the 32-year-old former press secretary of Prime Minister Kuchma and currently the head of administration of the president, holds sway on the Kuchma team.

If rumors about the appointment of certain individuals, including those for the offices of deputy prime ministers for culture and economic reforms, are confirmed, Kuchma will have again returned to the milieu in which he worked as prime minister and which brought about his downfall. If Kuchma procrastinates, it may turn out that he has less time than the former president. Kuchma has even less time than his namesake to settle his relations with the parliament and other branches of power, especially in the regions.

Moroz is no Plyushch, and Kuchma is no Kravchuk. Apart from different approaches to reforming the economy, Kuchma and Moroz have strong political "egos" which will prompt them to fight each other. As a matter of fact, Moroz has already declared war on Kuchma, having developed a draft law on power, but Kuchma managed to put this concept on the back burner for now and is pulling the chairmen of local councils over to his side.

Interestingly, Communists and Socialists who were happy on the occasion of Kuchma's coming to power may have to throw up their hands in despair, whereas the national-democrats who do not like Kuchma with his "pro-Russian orientation" may become ardent supporters of the course of the second president of Ukraine toward restricting the power of the parliament in the fall.

The people can once again have the last word in the future duel. In this instance, much depends on the image

that Kuchma creates over this period of time. One cannot get too far on the image of "one of ours." The fact that Kuchma likes to repeat that he considers Andropov his favorite politician may play a bad joke on the president. As it was, although Andropov, a KGB person by his disposition, tried to restore order in the empire with an iron fist, he finally caused people to come to power who simply destroyed his favorite system.

However, in the ultimate count, Kuchma is equally likely to go down in history as another Andropov or, let us say, as another Charles de Gaulle.

### Kuchma Power Seen Limited by Parliament

944K2153A Kiev UKRAYINA MOLODA in Ukrainian  
12 Aug 94 p. 3

[Article by Oleh Olenyuk: "The Cold Fall '94: The President Could 'Freeze'"]

[Text] The urgent need to consider economic issues and the settlement of relations with the Republic of Crimea notwithstanding, the finale of the first session of the newly elected parliament of Ukraine was actually devoted to the discussion of the rules and regulations for the proceedings of the Supreme Council. In view of this outwardly unsubstantiated decision of the Presidium and the speaker, a number of national-democrats and reformers have fallen all over themselves to announce the beginning of a parliamentary crisis and the probability of the dissolution of the current composition of the legislative organ as soon as after the second session. Such predictions are also bolstered by the fact that, having seized the initiative with regard to forming the government and conducting state economic policy from the president, the Supreme Council has actually let it slide. Privatization has been suspended; there has been no decision on the elimination of the fixed exchange rate of the karbovanets, nor have preliminary measures been taken for its possible liquidation by an edict of the president; the Crimean policy has been left to its own devices, or more precisely, it has been left in its entirety at the door of Leonid Kuchma as the guarantor of sovereignty and territorial integrity of Ukraine.

However, the policy of the Supreme Council appears to be primitive and toothless only at first sight. Even a cursory analysis shows that the parliament is prepared to leave the entire game in the hands of the president (although temporarily), having first taken away his aces. The sense of this action of the deputy corps appears illusive in view of the mighty support for Leonid Kuchma that the same left-wing majority was able to organize in the eastern part of Ukraine. However, if we look at the ultimate objective of Symonenko's CPU [Communist Party of Ukraine], which is to eliminate presidential power altogether, a skillful tactical game, which as a rule is successful nine times out of 10, can be seen in the actions of the parliament.

It is already understandable that Leonid Kuchma will not be able to really influence the economic policy of the state without at least light surgical interference with the composition of the Cabinet of Ministers and "moving over" Vitaliy Masol (while retaining him in the office of prime minister). Will the parliament agree to such interference? Of course, it will not. The problem will arise by itself during the plenary sessions in September. There may be several ways to resolve the confrontation between the president and the Supreme Council. The capitulation of the president to the parliament is the simplest and most primitive one. Leonid Kuchma has already proclaimed his disagreement in principle with this turn of events in edicts dated 6 August. A second way is found in a compromise between the two sides which has in its arsenal such an act as the adoption of the new Law on the Cabinet of Ministers (incidentally, the issue has already been placed on the agenda of the next Supreme Council session). We may only guess what powers the legislators will reserve for the president in the process. For now, only one thing is understood: These powers will be insignificant. The third way is to bring the confrontation to the point of the resolution of contradictions by the Constitutional Court, whose membership will have most likely already been elected in September. It is not at all difficult to understand in whose favor the Constitutional Court, put together by the people's deputies, will rule. For the president, such things may end in a transition to the position of the British queen at best, and his impeachment at worst.

There is a similar problem involved in the signing of the Edict on Combating Organized Crime by the president. It will not deviate from the Constitution and will not face the deputies' hatchets as long as this is advantageous for the Supreme Council. If the edict becomes disadvantageous, the people's deputies will take it under fire right away. Besides, certain contradictions between the edict and provisions of the Constitution and norms of international law may turn into a trump card in the game against the president at an opportune moment for the parliament. It appears to me that the Supreme Council has decided to remain silent for now precisely with this in mind, letting off steam only through the lips of Serhiy Holovatyy and a few other eternally dissatisfied deputies.

The self-removal of the parliament from solving the Crimean problem may also be interpreted as stabbing Leonid Kuchma in the back. Whether the president likes it or not, he will have to be the "guarantor of Ukraine's territorial integrity." The direction in which the peninsula will drift following the relevant actions of Kuchma, aimed at ensuring territorial integrity, will give the parliament an opportunity to act at its discretion. A failure of the president may have fatal consequences for him; at the same time, Leonid Kuchma does not currently have relevant powers to fully avoid the consequences. President of Crimea Yuriy Meshkov, who long

ago put the end of attaining the greatest possible sovereignty of the peninsula above all means, will hardly display particular loyalty with regard to Kuchma's probable actions.

As far as a projection for the fall is concerned, it totally lacks optimism as to full presidential authority and the determination of Leonid Kuchma. The election of a new membership of the Constitutional Court and the adoption of the Law on the Cabinet of Ministers has already been put on the agenda of the second Supreme Council session among the first questions. There is virtually no doubt that both of them will be resolved in favor of the parliament rather than the president. The second or even first act of a clash between the Supreme Council and Kuchma will also include an attempt to deprive the president of direct control over enforcement structures, as well as the opportunity to employ them as a consequence of actions such as the imposition of a state of emergency, etc. Incidentally, the gossip is that legislative acts of such a nature are already making the rounds within the parliament building.

Under current circumstances, a firm base in the parliament may become a true salvation for Leonid Kuchma. For understandable reasons, it cannot be communist or radical-nationalist. Centrists, reformers, and national-democrats are the president's likely bets. The rapprochement of these forces on a certain platform which could be based on a firm and consistent reformist course should be the most important in this regard.

### Communists Sum Up Parliamentary Session

944K2151A Kiev HOLOS UKRAYINY in Ukrainian  
10 Aug 94 p 2

[Statement of the Central Committee Secretariat of the Communist Party of Ukraine and the Supreme Council deputy faction Communists of Ukraine for Social Justice and People's Power, under the "A Word After the Session" heading: "On the Results of the Proceedings of the Supreme Council of Ukraine's First Session of the 13th Term"]

[Text] The proceedings of the Supreme Council of Ukraine's First Session of the 13th term have come to a close.

As they voted for the candidates for people's deputies of Ukraine, the voters had hoped for an improvement in life as fast as possible and a change in the predatory course foisted on the people against their will. Many of them voted for the representatives of the Communist Party of Ukraine, thus stating their confidence in our electoral platform, which is based on the interests of the working man, social justice, and genuine people's power.

The working people are voicing a certain dissatisfaction with the results of the session's proceedings; this dissatisfaction is artificially fueled and channeled toward discrediting the operation of the Supreme Council by

national extremists and anti-Communist forces whose authority among the people has been lost to a considerable degree.

We consider it necessary to state our point of view in this regard.

Indeed, the results of the session could have been weightier. However, it is impossible to disagree with the fact that, within a short period of time (2.5 months), deputies, of whom a majority were elected for the first time, have solved a number of fundamental problems, thus creating the necessary prerequisites for Ukraine to overcome a severe socioeconomic crisis.

First of all, an overwhelming majority of organizational issues which are mandatory at the first session were resolved.

Despite stubborn opposition from national extremists, representatives of the criminal, comprador bourgeoisie in the Supreme Council, the Law on Councils of People's Deputies was passed in the first reading on the initiative and with the direct participation of the Communists, Socialists, and Agrarians.

The adoption of a decree on suspending privatization, which amounted to the robbery of the people, became a milestone.

Representatives of the left-wing bloc vigorously worked on one of the most fundamental issues—the fight against crime, corruption, and the mafia: the investigation of the operation of the notorious Blasko concern.

The first specific decisions include the cancellation of the value-added tax on health-maintenance resort vouchers for children, the placement of students in vocational technical schools on state rations, and material and financial support for the agro-industrial complex.

Certainly, a number of essential factors influenced the results of the session's outcome unfavorably.

First, all of its proceedings went on in the environment of harsh opposition by the national-extremist forces, including the former president of Ukraine.

Second, the critical socioeconomic and political situation forced the deputies to go back repeatedly to documents passed by the Supreme Council of the past term.

Third, it should be stressed in particular that left-wing forces do not have a majority in the supreme organ of power, and only their wise, constructive efforts and the skill of convincing their opponents made it possible to secure certain favorable results for the people. It is even more necessary to note this because the pseudodemocrats have been persistently foisting the notion of the supposedly Communist majority in the Supreme Council on public opinion.

However, it is time for the anti-Communist forces to also grasp the following truth: The period of political terrorism in the Supreme Council, when the anti-people minority dictated its terms by the method of pressure, threats, blackmail, and a destructive attitude, is over.

The Supreme Council of Ukraine faces the difficult task of providing legislative support for the state in overcoming the crisis. No political subterfuge seasoned with the imperfection of existing legislation will stand in the way of the Communists and the left-wing forces in championing the interests of the working people.

A foundation is currently being laid for the further improvement of the work of the Supreme Council. The Communists will initiate the review of the most important issues of vital activity at the second session, namely the organizational development of the state; the 1995 state budget; the state housing policy; compensation for the deposits of the population; regulation of wages for specialists in education, health care, culture, and science; the status of veteran servicemen; taxation; the National Bank of Ukraine; insurance; the subsistence standard of living; privatization, and many other issues on which the welfare of the working people depends.

We will not retreat an inch from our electoral program. Those who expressed confidence in Communist deputies may be certain that their actions will be honest and consistent!

[Signed] Central Committee Secretariat of the Communist Party of Ukraine and the Supreme Council deputy faction Communists of Ukraine for Social Justice and People's Power

### Changed Crimea Situation Portrayed

944K2141A Moscow *KOMMERSANT* in Russian  
13 Aug 94 p 5

[Report by Semen Ulyanich: "The Republic of Crimea: Superfluous Side of an Irregular Triangle?"]

[Text] A most cruel drought has hit the Crimean peninsula. No one is in any doubt that an acute shortage of grain, water, and energy awaits Crimea next winter, and Crimean politicians are for this reason awaiting its onset with trepidation. And attempting in good time to find persons to blame for the coming difficulties. It would be easiest to pin the responsibility on Kiev—such attempts will surely be made. But they will not be as convincing as they would have been had Leonid Kravchuk remained in office, and for this reason the guilty parties will have to be sought within the confines of the peninsula also. Here is a report from Crimea of *KOMMERSANT* special correspondent Semen Ulyanich.

### Nikulin and Morgunov Against the President and the Government

The brief period of sincere accord between the president and the Supreme Council—they both came from the

depths of the "Russia" election bloc—has in the few weeks since the end of the election marathon become the property of history. The most out-and-out discord now reigns between the former fellow thinkers, who with one voice promised Crimeans Russian citizenship and the ruble zone and the manna from heaven derived from them. The president is wondering how to rid himself of parliament; the Supreme Council is puzzling over ways to express no confidence in the president. But both are afraid to submit the quarrel to a public verdict, for they are unsure that the people would support them.

The question of the composition of the government has become the stumbling block in relations between the president and the Supreme Council. The ministerial portfolios for which the "Russia" bloc was hoping have gone to "Moscow newcomers" headed by Yevgeniy Saburov, and the winners have found themselves sidelined from the administration and redistribution of tasty Crimean property. The Saburov government is further irritating members of parliament in that it is wholly unlike the traditional Council of People's Commissars: It does not work Saturdays and Sundays; on weekdays it does not work overtime; it does not spend the night in the capital (Simferopol), but each evening sets off en masse almost at public expense to restore its forces in one of the best Alushta holiday hotels; finally, what is particularly exasperating for the agrarian faction is that Minister of Agriculture Sergey Nikolskiy is not a strong agriculturalist like Aleksandr Zaveryukha, but a philosopher who has publicly acknowledged that he has not in his whole life dug so much as a vegetable patch, even.

The president, on the other hand, who is formally the head of the cabinet, takes practically no part in its work and frequently, what is more, comes into conflict, which becomes public, with it—when, for instance, the government refused to fund the implementation of a number of Meshkov's populist promises. And it is no accident, evidently, that the president of Crimea exercises his activity under conditions of profound secrecy. The biggest enigma here is his entourage, which in the eight months of his term has been replaced repeatedly. "The sixth floor is the most slippery spot in Crimea," members of parliament comment caustically (the presidential apartments are located on the sixth floor of the Supreme Council building). The past of those people that can, for all that, be identified is carefully concealed, as a rule, from the outside gaze. The president's regular trips to Switzerland, which he explains sometimes by his intention to channel from there into Crimea a flow of investments, sometimes to find resources for bread subsidies or an increase in the pay of civil servants "to the Russian level," have become the talk of the town. Whereas the president goes to Switzerland in a search for profitable deals, he explained the purpose of his recent trip to Cyprus differently: to abort "a contract disadvantageous to Crimea."

Against the background of the government's more than modest successes, the president's voluntarily limited

participation in the political life of the republic, and the unmanageability of the processes occurring on the peninsula, a coalition in opposition to the executive is essentially taking shape in parliament. It includes Sergey Tsekov, speaker of the Supreme Council, and Sergey Nikulin and Petr Morgunov, leaders of the "Russia" faction parliamentary majority, who are to some extent forming a bloc on this issue with "Reform" (a small faction consisting of "Russia's" opponents oriented toward Bagrov's Economic Revival of Crimea Party). The situation in Crimea does not inspire optimism in Crimea's leaders. "I fear that what might happen is that we will muddle through until the fall, Kuchma will have to impose direct rule, and there will be nothing we can say," a deputy from the "Russia" faction acknowledged in a private conversation.

#### What Will Building a Bridge Cost Us?

With the change of power in Kiev, there has been a change in the Russia—Crimea—Ukraine triangle also. Moscow hopes that the new Ukrainian leader will ensure the political rapprochement with Russia of all of Ukraine, together with which Crimea will become closer to Whitestone also. And for this reason the separatist exercises of the Crimean leadership, which could damage the total Russian-Ukrainian rapprochement, are no longer welcome, meanwhile.

It is being said today that Crimea is designed to be a bridge between the two Slav states in Moscow and in Kiev, and in Simferopol also. The question, however, is how far the Crimean leaders, who came to power under the conditions of Russian-Ukrainian confrontation and who built their political careers exclusively on the wave of opposition to Leonid Kravchuk's Kiev, are themselves ready for the erection of such a bridge. They have now been deprived of their customary populist-demonstration and confrontational habitat.

Crimea today needs politicians who have extensive connections not only in Russia but in Ukraine, also, and who could, consequently, find a common language with the political elite of the two countries. President Meshkov, who of all the representatives of the power institutions is the least capable of controlling the situation in the republic, is hardly capable of this role. Yet it is he who remains Moscow's sole partner, virtually, in Crimea. At the same time, on the other hand, the Kremlin is practically ignoring Supreme Council Chairman Sergey Tsekov. His visit to Russia is anticipated in October, and it would seem that close attention should be paid to him from the viewpoint of a diversification of relations with the Crimean authorities. Especially since it is Tsekov who could in time become, in fact, the No. 1 in Crimea. And the behavior of the politically exalted parliament, within whose jurisdiction is the adoption of decrees on the official status of the peninsula and its relations with Ukraine and Russia, would depend on him. And the content of these documents will ultimately determine the state of Russian-Ukrainian relations as a whole.

#### Justice Minister Discusses Crime Edict

944K2174A Kiev URYADOVYY KURYER  
in Ukrainian 6 Aug 94 p 3

[Interview with Minister of Justice of Ukraine V. Onopenko by an unidentified interviewer, under the rubric "Law and Order"; place and date not given: "V. Onopenko: There is No Reason for Honest People to Fear the Edict"]

[Text] **Crime is the most acute problem in Ukraine. The corruption of power structures and their intertwining with criminal groups threaten the independence of the state and the security and interests of citizens. Specialists estimate that, in terms of the scale of operations of organized crime groups, Ukraine is next only to Italy and Columbia. This gives food for thought. Therefore, it is no accident that the first edict of the new president of our country is aimed at a resolute struggle against crime. This is the topic of our conversation with Minister of Justice of Ukraine Vasyl Onopenko.**

[Interviewer] Vasyl Vasylyovych, could you illustrate the crime situation in the country with statistical data....

[Onopenko] Some 268,000 crimes were registered during the [first] six months of this year, which was 11.9 percent more than during the same period of last year. Minors committed 20,000 crimes. The number of felonious assaults, the theft of state and personal property, and crimes against persons—rapes, murders—is growing. In June and July of this year alone, 240 organized criminal groups, to which 1,000 individuals belonged, were uncovered in Ukraine. During the same period of time, a submachine gun, three grenade launchers, 60 grenades, 26 assault rifles, 65 pistols, 32 rifles, and so on were confiscated from the violators of law. The 66-percent rate of solved crimes is a good result.

[Interviewer] However, to solve a crime does not yet mean to force one to bear responsibility for committing it.... The last word belongs to the court. How many cases have been referred to the courts this year, and how many sentences have been handed down?

[Onopenko] In the first half of 1994, 84,190 criminal cases were referred to the courts of the country; the courts reviewed 81,143 cases in which 89,962 individuals were sentenced, or 41.7 percent more compared to the same period of last year. As far as organized crime is concerned, a total of 77 individuals were sentenced (in the first half of 1993—39 individuals). I would like to note that the number of persons convicted for such crimes comes to only 4.3 percent of the number of crimes committed by organized groups in the first half of this year (1,775 crimes).

Such differences in the dynamics of the crime rate and court cases are due to a number of factors that include the great number of unsolved grave crimes and the

"humanization" of criminal justice—the discontinuation of cases is widely practiced—and a number of other factors.

[Interviewer] The Ministry of Justice is not mentioned in the Edict of the President of Ukraine, dated 21 July of this year, on Urgent Measures to Reinforce the Struggle Against Crime, but it is directly involved in its implementation....

[Onopenko] Yes, certainly because the Ministry of Justice can implement the requirements of the presidential edict and influence the status of crime in the state precisely by way of law creation, preparation of draft laws, amendments to the Criminal Code, the Code of Criminal Procedure, and other legislative acts. The Ministry of Justice has developed a plan of measures to carry out the edict. In particular, it is planned to develop relevant regulatory acts together with the Ministry of Internal Affairs, the Security Service of Ukraine, the Office of the General Prosecutor, and other interested departments, namely: the Law on Preventive Detention and the Law on Joint Patrols by Special Subunits of the Ministry of Internal Affairs, the Security Service of Ukraine, and the National Guard. With the Inclusion of Servicemen. I do not rule out the need to amend relevant laws on the National Guard, the Armed Forces, etc.... However, there is nothing terrible about it. If this is done to benefit the people, in their interest, for the sake of our lives and health, why should it not be done?!

[Interviewer] Incidentally, since the state, unfortunately, does not have a Constitutional Court for now, the Ministry of Justice assumes the role of expert in this instance....

[Onopenko] Of course. This is a very important and vital function of the ministry. We provide an expert review of legislative acts that are developed by the Cabinet of Ministers together with ministries and departments to determine their compliance with legislation in effect and the norms of European and world legislation. In 1993 and in the six months of the current year alone, we prevented the acceptance of 1,500 regulatory acts that did not comply with legislation in effect.

[Interviewer] Vasyl Vasylyovych, criticism of the edict in some mass media was based on the assertion that, allegedly, the edict dated 21 July absolutely fails to comply with the Constitution of Ukraine and legislation in effect. What is your position on this issue?

[Onopenko] I do not subscribe to such thinking. In the environment of the horrible growth and rampage of crime, when law enforcement organs do not necessarily operate properly, the president as head of state had to take the relevant decisive steps. The very fact that the issuance of the edict stimulated the development of a number of draft laws testifies that the decision of the president was correct.

[Interviewer] What is your attitude toward a statement of the Union of Ukrainian Defense Attorneys, the Association of Ukrainian Lawyers, the Legal Foundation, and the Union of Lawyers?

[Onopenko] Each lawyer is entitled to his own ideas. I respect Viktor Medvedchuk, Serhiy Holovatyy, and Volodymyr Sumin. I have read their statements. They are entitled to their ideas. Personally, I do not fully subscribe to their views. Many targets for criticism may be found in the best of laws. However, criticism for the sake of criticism is one thing, and constructive criticism is quite another. I am in favor of constructive criticism.

[Interviewer] There is much talk in the press about the edict encroaching upon the rights and interests of our citizens, about it bringing about repression like that of 1937.

[Onopenko] To a certain degree, these are emotions. This could happen if the edict applied all by itself. However, it applies in a legal environment and should be used on the basis of legislation in effect. As it is, there are the Criminal Code, the Code of Criminal Procedure, and other extensive legislation in effect, and even proceeding from the edict itself (Article 4), preventive detention is effected only if authentic data is available concerning the complicity of the individuals detained in preparations to commit acts of banditry, terrorism, extortion, and other grave crimes, that is, only on certain grounds. Article 71-1 of the Criminal Code enumerates which crimes are grave: felonious assault, murder, rape. A person may be detained for 30 days as an exception only if authentic data is available and the commission of a grave crime is at issue. Article 4 of the edict is not entirely in compliance with legislation in effect. It is necessary to make certain changes in legislation, which incidentally the Supreme Council has done in passing the Law on Preventive Detention of Individuals that is built on the idea that citizens have an opportunity to appeal to the courts in such cases, that is, the idea, which has been put into legislation, in regard to detention for three days with the sanction of the prosecutor, even if there are suspicions that grave crimes have been committed.

[Interviewer] Article 6 of the presidential edict reads: "It shall be established that 50 percent of the amount of material assets, including foreign-exchange funds confiscated by decrees of the internal affairs organs in cases of statutory violations and by court decrees and rulings, shall be allocated to develop material and technical facilities and to provide incentives for the employees of law-enforcement organs." Does this not create an interest in the final outcome of a case?

[Onopenko] It is so only at first sight. The transfer of this 50 percent to the courts for their development is not envisioned. Courts are financed in an entirely different manner. In essence, this is about the institution of confiscation that exists in our criminal and statutory legislation alike. I would like to note that at issue is the

confiscation of assets through administrative procedures, on the basis of the Code of Statutory Violations, rather than criminal violations, which is in effect. It should be stressed that the law envisions two cases in which assets can be confiscated on the basis of a decision of the chief of the relevant militia organ. It is Article 130 of the Code of Statutory Violations, that is, driving transportation vehicles while intoxicated, but only if this action is committed for the second time in a year, and Article 162—violation of the rules for operations with foreign exchange. These two articles envision punitive sanctions, and confiscation as an additional measure.

Therefore, there is no great hope that the law enforcement organs will improve their financial standing by virtue of Article 6 of the edict. As far as the consideration of cases by the courts is concerned, there are Articles 145, 157, 160, and a few more articles of the Code of Statutory Violations under which the courts are entitled to use this regulation, for example, when the illegal use of radio transmitting equipment, petty speculation, and so on are at issue. Finally, as far as the confiscation of assets is concerned, both judicial and statutory procedures for appealing the actions of both the law enforcement organs and the courts will be envisioned.

[Interviewer] The law gives great powers to law enforcement organs. Complaints about their arbitrariness are general knowledge. What liability for unlawful actions of the functionaries of law enforcement organs is envisioned by legislation in effect?

[Onopenko] Many of the powers granted by the edict are already envisioned by legislation in effect. In particular, functionaries of law enforcement organs may sequester the documents of organizations and enterprises regardless of the form of ownership. This is already envisioned by the Code of Criminal Procedure. It is another matter that this will be done in the course of preventive detention. However, we are currently developing relevant regulations in this area. This will be done with the prosecutor's sanction and on relevant grounds, that is, the actions of law enforcement organs will be placed within the framework of existing legislation so that there will be no abuses.

[Interviewer] Does it appear to you that the clamor on account of the first edict of the president benefits those in whose way the edict gets, those who do not like it?

[Onopenko] I am greatly concerned about this campaign in the press being conducted by the people who are not responsible for the status of crime in the state and to whom the interests of citizens are remote. The president called them "fat cats," to my mind, very fittingly. These are people who are not responsible for anything, although they do hold certain positions and draw good salaries. Moreover, they are laundering money. We are preparing proposals to develop a draft law on liability for the laundering of money obtained through crime. Understandably, the vigorous process of developing legislation in effect forced these "fat cats" to "hustle," to protect

their "incomes," and this is why those to whom this edict is disadvantageous are setting up a clamor. However, I would like to stress that this edict is not a panacea in and of itself. It is an impetus. It will bring benefits only if a set of measures, and then not only of a punitive nature, is developed. To my mind, the status of crime in Ukraine may only be effectively influenced by way of the economic impact of the state on the social and political situation in Ukraine. If the economic situation in the state improves, crime will abate. Experience indicates that a fall in crime is registered in two instances: if there is a dictatorial regime or if normal living conditions for a society are created. If it has self-respect, the state should influence the course of all processes.

[Interviewer] Vasyl Vasylyovych, to sum up our conversation, say a few words about the significance of the edict of the president, dated 21 July 1994.

[Onopenko] The edict is an extremely important regulatory act. It is not a whim of the president. This is objective necessity. It is possible to criticize the edict. However, in total it is an integrated act that regulates not only the legal relations in the criminal or administrative-legal sphere. This is an act that permeates virtually all spheres of our lives and regulates civil law, family, housing, and other legal relations. It is hard to overestimate the significance of this edict. The mafia and corrupt structures are afraid of it. They will do everything in order to nix the effect of the edict. I will note that there is no reason for honest people to be afraid of the edict.

## ECONOMIC AFFAIRS

### Inflation Anticipated, Kuchma Optimistic

944F1381A Moscow KOMMERSANT-DAILY  
in Russian 23 Aug 94 p 4

[Article by Svetlana Sukhova: "Leonid Kuchma Intends To Do the Impossible"]

[Text] In Ukraine, just as throughout the territory of the former USSR, the season of rains and inflation is upon us. And while the economists are racking their brains over how to avert a sharp jump in the rate of the dollar, Leonid Kuchma is confident that everything will fall into place by year's end. Yesterday he left on a trip through Kiev Oblast. True, upon his return, the Ukrainian president risks freezing in his own home—once again, Gazprom has firmly promised to suspend shipments of gas to the republic unless incurred debts are paid off by 1 September.

Oleg Soskin, World Bank representative and deputy director of the Institute for World Economics and International Relations of the Ukraine Academy of Sciences, predicts that in September the republic will see a new spiral of inflation to 50-60 percent, further increased prices, and a drop in the rate of the karbovanets to 60,000 per dollar. In the situation that has come about, in his opinion, it is hardly possible that we will see a

convergence of the official hard-currency rate of the karbovanets with the market rate—they differ right now almost by a factor of two.

President Kuchma, it would seem, is convinced of the opposite. His draft decree, which has already stirred up most economists and market brokers in the republic, envisages the impossible taking place prior to the end of the year. Anatoliy Galchinskiy, presidential adviser for economic matters, believes it likely that as early as September the coefficient of dispersion between the official rate (20,500 karbovantsy to the dollar) and market rate (about 45,000 karbovantsy) will not exceed 0.5. The market rate will be determined on the interbank hard-currency market. It is expected that effective 1 October, trading sessions will be renewed on the hard-currency exchange as well. In other words, Leonid Kravchuk's edict of 2 November 1993, introducing an official fixed rate and suspending trading sessions on Ukraine's interbank hard-currency exchange, will be repealed. Galchinskiy emphasized that Kuchma is advocating decentralization of the hard-currency market and that appropriate decrees will soon appear. Specifically, the tender committee for hard-currency distribution will be preserved, albeit with limited rights. According to INTERFAX-UKRAINA information, the delay in issuing a decree on this matter is related to failure to resolve the question of the share of hard-currency proceeds that must be sold to the state (presently 50 percent).

At the same time, Leonid Kuchma has set out on a trip through Kiev Oblast intended to enhance the Ukrainian leader's prestige among the people. Kuchma is visiting the construction sites of a hospital and school. Following the example of his Russian colleague, he will have numerous meetings and discussions with citizens of the republic. He will also have time to reflect upon his concept of creating, with support from the IMF and Szuros Fund, a stable hard-currency fund, "at least within the framework of promised American assistance" (i.e., \$700 million).

Hard-currency problems have temporarily distracted Kuchma from another pressing problem—debt repayment for shipments of Russian gas. Gazprom director Rem Vyakhirev stated that if Ukraine has not settled its accounts prior to 1 September, Moscow will gradually close off the gas valves. The threat is quite tangible, even if not completely fulfilled: 70 percent of the gas networks from Russia to the West pass through Ukrainian territory, and one can hardly expect that Western customers who punctually pay their bills will be deprived of hot food or warm shelter. But the West could shake Kiev up, causing the latter to settle its accounts. Especially since in addition to the promised \$700 million, Kuchma expects to receive as a gift entry into the GATT (General Agreement on Tariffs and Trade). In a few days the White House will dispatch consultants for preparation of all the necessary documents. Proceeding from the principles of the GATT, however, it can be expected that in an economically unstable situation and with lack of the

proper legislative base, no political measures or support from the White House will help Kiev. But it is likely that Washington is thinking differently.

### Parliament Decree Suspending Privatization

944K2149A Kiev *HOLOS UKRAYINY* in Ukrainian  
5 Aug 94 p 2

[“Decree of the Supreme Council of Ukraine on Perfecting the Privatization Mechanism in Ukraine and Reinforcing Control Over Its Course”]

[Text] With a view to perfecting the privatization mechanism in Ukraine and reinforcing control over its course, the Supreme Council of Ukraine **resolves**:

1. The course of privatization in Ukraine shall be found unsatisfactory, and a lack of confidence in the chairman of the Ukrainian State Property Fund shall be expressed in view of the fact that the targets of the State Privatization Program are not being met, the preparation of the necessary legislative base and proper control over the privatization process are not being ensured, and violations of the privatization principles and priorities are being allowed to occur, and taking into account that the economic substantiation of privatization plans has not been ensured locally, imperfections in the appraisal of the cost of privatized facilities are apparent, the effectiveness of the utilization of privatized property has not been adequately analyzed, informational and explanatory efforts related to ownership reforms have been made ineffectively, and the protection of the interests of all citizens of Ukraine has not been adequately ensured.

2. The Cabinet of Ministers of Ukraine shall be instructed to prepare before 15 August 1994 a listing of facilities which shall not be subject to privatization in view of their statewide significance (primarily the fuel and energy complex, transportation, and communications) and submit it for approval to the Supreme Council of Ukraine in September 1994.

The State Property Fund of Ukraine and its regional branches shall suspend the signing of purchase and sales contracts for facilities and leases with an option to buy until the Supreme Council approves the listing of sectors and facilities which are not subject to privatization.

3. It shall be established that the main priority of privatization shall be to enhance the effectiveness of production and incentives to work and to speed up structural changes and the development of the Ukrainian economy.

Before 1 November 1994, the Cabinet of Ministers of Ukraine, jointly with the Commissions of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy, and for Finance and Banking Issues, and the Supreme

Council of Ukraine Control Commission for Privatization Issues, shall submit draft laws on amendments and additions to legislation in effect to the Supreme Council of Ukraine for consideration, envisioning in the process:

protection of the interests of the state as the owner of property, protection of the rights of citizens, labor collectives, shareholders, and small investors;

liability for the violations of legislation on privatization issues;

the inclusion in the purchase and sales contracts for privatized facilities of conditions as to the prospects for the development of the enterprises in the post-privatization period, and sanctions for their violation;

a ban on the use of proceeds from privatization to cover the deficit of the state or local budgets while allocating them to develop production and create new jobs;

a declaration of purchaser income when purchase and sales contracts are drawn up in the process of privatization;

the priority of competitive modes of privatization for group "a" and "b" enterprises and conversion to joint-stock operations for group "c" and "d" enterprises, with preferences ensured for labor collectives, and such procedures being simplified;

the elimination of contradictions in the legislation which regulates the processes of ownership reforms;

a ban on laying off, without their consent, the employees of enterprises concerning which privatization decisions have been made;

the prevention of the destruction of integrated production complexes, chains, and technologies;

ensuring the compliance of regulatory acts on the issues of privatization with the laws of Ukraine;

protection of the interests of agricultural producers in the course of privatizing processing enterprises.

4. Before 1 October 1994, with a view to perfecting leasing arrangements as a transitional form to privatization, the Cabinet of Ministers of Ukraine, jointly with the Commission for Economic Policy Issues and Management of the National Economy, shall submit to the Supreme Council of Ukraine a draft Law of Ukraine on Amendments and Additions to the Law of Ukraine on Leasing the Property of State Enterprises and Organizations, taking into account the requirements of point 3 of the present Decree.

The State Property Fund of Ukraine, regional branches and representative offices of the State Property Fund of Ukraine, and privatization organs of

administrative and territorial jurisdictions shall suspend the conclusion of purchase and sales contracts for the facilities of the nonproduction sphere which are privatized by way of leases with an option to buy until the Law of Ukraine on Leasing the Property of State Enterprises and Organizations has been amended and added to.

5. With a view to protecting the economic interests of the citizens of Ukraine, it shall be established that the indexation of the nominal value of privatization certificates shall be effected simultaneously with the indexation of fixed assets.
6. The Cabinet of Ministers of Ukraine, jointly with the Commissions of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy, and for Finance and Banking Issues, shall develop a draft concept of the creation and development of the stock market in Ukraine and submit it for consideration to the next session of the Supreme Council of Ukraine.
7. The Cabinet of Ministers of Ukraine, the National Bank of Ukraine, and the Savings Bank of Ukraine shall, in coordination with the Commissions of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy and for Finance and Banking Issues, develop a mechanism for the introduction of registered privatization certificates in cash form (coupon books). Measures to ensure the mutual convertibility of privatization papers shall be developed and implemented.
8. Before 1 December 1994, the Cabinet of Ministers of Ukraine, jointly with the Commissions of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy, and for the Issues of Social Policy, and with the participation of the trade unions of Ukraine, shall develop a concept of privatizing sociocultural facilities and submit it for approval to the Supreme Council of Ukraine.
9. Taking into account the requirements of the present Decree, the Cabinet of Ministers of Ukraine shall:
  - before 1 October 1994, approve changes in the methods for appraising the property of privatized enterprises, taking into account the experience of the world, expert assessments, and potential profit margins;
  - before 15 October 1994, review arrangements for the participation of foreign investors in the privatization process;
  - before 1 November 1994, develop proposals for arrangements to manage state property in the corporate sector of the economy;
  - before 1 November 1994, perfect arrangements for holding auctions and competitions;

before 1 December 1994, submit the draft 1995 State Privatization Program to the Supreme Council of Ukraine for consideration;

before 1 December 1994, develop arrangements for the transfer of the property of military institutions and organizations.

10. With a view to a more profound analysis of the consequences of conducting privatization and its implementation in 1993 and 1994, the Office of the General Procurator of Ukraine and the Security Service of Ukraine shall be instructed to submit, before 15 September 1994, a report on the results of verification of compliance with legislation in effect by the privatization organs to the Ukrainian Supreme Council Control Commission for Privatization Issues.

With a view to ensuring proper control, preventing violations of legislation in effect, and protecting the interests of citizens in the process of privatization, the Office of the General Procurator of Ukraine, the Security Service of Ukraine, the Ministry of Internal Affairs of Ukraine, and the Arbitration Court of Ukraine shall submit reports on the results of verification of compliance with legislation in effect by the privatization organs and the practice of reviewing privatization and leasing cases to the Ukrainian Supreme Council Control Commission for Privatization Issues on a quarterly basis.

The Ukrainian Supreme Council Control Commission for the Issues of Privatization, jointly with the State Property Fund, shall implement a selective verification of compliance with legislation in effect in the process of privatizing sociocultural, trade, consumer service, and public catering facilities.

Before 15 September 1994, the Cabinet of Ministers of Ukraine and the Savings Bank of Ukraine shall submit a report on the use of property privatization certificates by the citizens of Ukraine to the Supreme Council of Ukraine.

The Ukrainian Supreme Council Control Commission for Privatization Issues shall generalize information and verification results submitted to the Supreme Council of Ukraine, and before 1 December 1994 inform the Supreme Council of Ukraine about these issues.

11. Before 1 November 1994, the Cabinet of Ministers of Ukraine shall submit a report on the number and value of integrated property complexes to be privatized, based on statistical reporting data, to the Supreme Council of Ukraine.

12. Before 1 October 1994, the Cabinet of Ministers of Ukraine and the National Bank of Ukraine shall develop proposals for the indexation of the deposits of citizens as of 1 January 1992 and the value of a special-purpose, interest-free loan with a view to their use in the process of privatization, and submit the proposals to the Supreme Council of Ukraine for consideration.

13. Before 1 October 1994, the Cabinet of Ministers of Ukraine shall verify the execution of the transfer of monies to the off-budget privatization funds and the procedures for their use, and inform the Supreme Council of Ukraine about the results of verification.

14. The Cabinet of Ministers of Ukraine shall inform the Supreme Council of Ukraine about the course of privatization of state property on a quarterly basis.

15. Before 1 October 1994, the Cabinet of Ministers of Ukraine, the Republic of Crimea Supreme Council, and the local councils of people's deputies shall prepare proposals for the creation of a uniform system of privatization organs.

16. Before 1 September 1994, the Cabinet of Ministers of Ukraine, the State Property Fund of Ukraine, and the State Television and Radio Broadcasting Company of Ukraine shall create a system of information support for the population in regard to the right to participate in the privatization of facilities.

17. The Cabinet of Ministers of Ukraine, jointly with the Commission of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy, shall review the issues of the free-of-charge transfer of a proportion of the property of privatized enterprises acquired with enterprise funds after the passage of the Law of Ukraine on Enterprises in Ukraine to the labor collectives of said enterprises; the introduction of a step-up coefficient of the value of privatization certificates for citizens who are not entitled to the preferences envisioned by Article 25 of the Law of Ukraine on the Privatization of Property of State Enterprises; the grant of payment deferrals to labor collectives during the privatization of unprofitable enterprises. Proposals concerning these issues shall be submitted to the Supreme Council of Ukraine for consideration before 1 November 1994.

18. With a view to perfecting privatization processes and monitoring restrictions on monopolies in individual sectors of the national economy, the Commissions of the Supreme Council of Ukraine for Economic Policy Issues and Management of the National Economy; for the Issues of Base Sectors and Socioeconomic Development of Regions; for the Issues of the Fuel and Energy Complex, Transportation, and Communications; and for the Issues of the Agro-Industrial Complex, Land Resources, and Social Development of Rural Areas shall make findings as to the feasibility of the creation of the national joint-stock holding company Ukrnaftogaz and submit them to the Supreme Council of Ukraine for consideration before 15 October 1994. Prior to the consideration of this issue by the Supreme

Council of Ukraine, the Cabinet of Ministers of Ukraine shall make no decisions to establish holding companies in the sphere of transportation, communications, energy, and material and technical supply.

19. The decree shall take effect on the day of its issuance.

[Signed] Chairman of the Supreme Council of Ukraine  
O. Moroz  
City of Kiev, 29 July 1994

### Pylypchuk Defends Privatization

944K2145A Kiev NEZAVISIMOST in Russian  
5 Aug 94 p 2

[Article by Vladimir Pylypchuk: "The World Has Not Yet Seen Such Mistakes!"]

[Text] Of course there are abuses today in the sphere of privatization. But I believe the Supreme Council Commission for Monitoring Privatization should have set up a package of inspection measures that would have provided the foundation for rendering a decision to terminate privatization. We are aware of mistakes, but we are aware of them by word of mouth, so to speak, from the newspapers, etc. Not as a result of information ascertained by the Supreme Council Commission for Monitoring Privatization.

The greatest abuses are found in the state sector of the economy, because enterprise directors often dispose of state property as their personal property. They do the same with respect to the results of their work. While people at a private enterprise do not steal from themselves, at a state enterprise it happens quite often. In this instance, in other words, if we put a halt to the operation in which we see the most abuse, we will have to put a halt to the state sector of the economy. Is this normal? No! Those who are responsible for the abuse must be taken out. We must introduce amendments to our laws. To include economic mechanisms.

Incidentally, a similar situation exists in public health and in trade—we see abuses, violations of the law.... But nobody prohibits public health as a process. No one shuts down the provision of services as a process. Why should we have to shut down privatization?

If there are violations (and there are), they must be proved. The people who committed the violations must be held accountable. If we see that the laws permit ambiguous interpretation and the opportunity to commit violations, then we must repeal the laws.

Furthermore, laws must not be repealed by a decree. They have a higher juridical force. In order to actually halt the privatization process, a different juridical approach must be used. After all, laws which no one has repealed are valid.

Nor is it possible to halt privatization from the economic point of view. After all, we already have private enterprises acquiring machine tools and equipment from state enterprises as their production output. This too is an element of privatization. In other words, the economic aspect of this should also have caused it to be set forth entirely differently in a decree.

Finally, the most important thing. Halting privatization is a blow to the image of Ukraine in the international arena. Even if over the two months of suspension of privatization being proposed, 60 enterprises subject to privatization are misappropriated, it will prove a lesser blow to Ukraine's image than the blow from suspension of the processes of privatization. The representative of the Communist faction stated in his presentation that we must learn from the mistakes of others, not from our own mistakes. Well—the world has not yet seen such mistakes! The world has not yet seen a country set out on a course toward market transformations and then suspend privatization.

I believe it is necessary to adopt the decree on the whole and those of its points which stipulate giving instructions to the procuracy, Security Service, the militia, Fund for Management of State Property, and supervisory organs, for inspection of the privatization process. But the points dealing with suspension of privatization must be taken out.

The cardinal issue is that we must struggle not with the consequences, but with the causes. Two years ago, or later than that—I do not recall exactly, a package of laws was introduced creating an integral computer network of privatization and unified data bank, and introducing the Law on Privatization of Property through subscriptions for shares and property. This process precluded in practical terms (not just theoretically) the possibility of abuses in the privatization process. After all, in this case the Fund for Management of State Property and other entities participating in the privatization process would be playing the role of understudy. There would be no opportunity for intervention or application to someone's benefit. But the law was not adopted....

Today we have all the packages of laws—they have been produced. And I am certain that the privatization process must continue. Then it will be necessary to implement a package of laws according to which any individual living in Ukraine has an equal opportunity of subscribing with respect to any property located in the territory of our country, regardless of where.

In other words, we have the following approach here. First—the process of privatization must be continued. Second—those guilty of abuses must be held liable. And third—a set of laws must be readied precluding the possibility of corruption in the privatization process.

**China Seen as Poor Reform Model**

94K2144A Kiev NEZAVISIMOST in Russian  
5 Aug 94 p 1

[Article by Sergey Skripnik of the Ukrainian Independent Center for Political Research: "Communo-Socialists Are Proposing the 'Chinese Path'"]

**[Text] The fateful decision of the Ukrainian parliament to suspend privatization, which has called in question the implementation of economic reforms in Ukraine, is threatening our state with a delay in or the termination altogether of Western economic assistance.**

A significant place in the speeches of those who consider personal property the root of the evil of all mankind, in the speeches of the socialist deputies particularly, has been occupied by the proposition concerning the so-called "Chinese path" of the development of reforms. "The Chinese path of reforms is that of state control over the transition to the market economy," People's Deputy Vladimir Marchenko, a leader of the socialists, said in an interview with VYBOR. "China has proceeded by its own path and has kept afloat" the public sectors of the economy. This policy has not been an impediment to the advent of investors; on the contrary, they have seen that the state is controlling the economy and, consequently, that there is elementary responsibility."

Marchenko's position is shared not only by the "left." This could be seen following the parliamentary vote on an end to privatization, when certain journalists were able to see the breakdown of the vote, of which, according to known tradition, the press and the public should not have been made aware. Not only communists and "state absolutists" but also businessmen communists could be seen among the 170 deputies who voted "aye."

What is the "Chinese path" of reforms? Would it help to apply in Ukraine the experience of the People's Republic of China, where, as the socialist Marchenko maintains, a "third way" has been found?

The reforms of the Chinese communists mean not only the cheap electronics that have enthralled the markets of the United States and Europe and not only the low-quality coats and cloth that our second-hand dealers are throwing onto the Ukrainian market, but also the killing of dissidents, the execution of students, and the banning of churches. Of course, thanks to the partial opening of the market and a certain development of the economy, a considerable number of businesspeople have hastened to make capital investments in China, and this is contributing to the reform of Chinese society.

But Marchenko speaks only about one aspect—economic reform—failing to observe here that the price of the reforms in China are people's deaths. China's economic development has not forced Deng Xiaoping or other leaders of the country to change if only something in their authoritarian rule. Despite the openness of the

market to the surrounding world, the Chinese leadership has not retreated one half-step from its political credo proclaimed in the four main principles in the preamble to the constitution: fidelity to the socialist path of development, the directive role of the Communist Party of China (CPC), the preservation of the dictatorship of the proletariat, and the domination of the ideas of Marxism-Leninism and Mao Zedong.

With the recent wave of arrests and the persecution of dissidents, the Chinese leadership openly violated human rights. This is a clear example of the fact that economic development in China does not signify the democratization of society. Over 100 Chinese religious figures have at this time been deprived of religious freedom. The practice of the torture of prisoners is spreading in China. This was announced in its latest report by Amnesty International.

Punitive measures against dissidents are an integral part of the Chinese communists' aspiration to hold on to power. When the VYBOR correspondent asked Marchenko whether he realized that the Chinese reforms meant not only successes of the reforms but also political pressure on those that disagree with the policy of the CPC, he replied that "these two things should not be linked."

But is it possible to insist on "A" without noticing "B"? Were the CPC not to hold society by the throat with an "iron fist," not to oppress the press and believers, and not to have shot students in Tienanmen Square, could it lead its people toward the "shining future" independently and without hindrance? And, on the other hand, were there public discussion of the economic reforms in Chinese society, could the CPC so frankly ignore public opinion and make decisions on behalf of the people?

And the practice of subsidizing state-run enterprises that so enraptures Marchenko appears in reality somewhat different from the idealistic image painted by this socialist. At the 14th CPC Congress, Deng Xiaoping termed the reform of state-run enterprises a national priority. It was at this that in 1988 the economic reform stopped. There is a closed circle: The inefficiency of the state-run enterprises is inflicting losses on the national budget and preventing the creation of a system of social protection. Employee layoffs are impossible because they know their legal rights and know how to defend them. Mass lockouts would be a tremendous problem. Inflation has reappeared—at an annual five percent, according to official statistics. But the real rate is changing. It has reached 10 percent in Shanghai, for example.

That is, this situation would run the risk of being repeated were the Chinese experience to be "applied" in Ukraine. But in a "Ukrainian" form. The socialists should not forget that the Asian type of production, with its subordination at the slavery level, is not predominant in Ukraine—strikes and demonstrations would shake the state, the press could not be stifled, and the Army would not act against its own people, and the "left" would be in danger of nonelection to parliament.

## Relation Between Privatization, Investment Examined

944K2188A Lvov POST-POSTUP in Ukrainian  
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[Article by Lyudmyla Vvedenska under the "Investment" rubric: "Investment and Privatization: Will a Common Denominator Be Found?"]

[Text] A universal pattern for overcoming an economic crisis in a post-socialist country has emerged based on the experience of the development of East European countries during the last three years. The denationalization of a particular sector of the national economy makes it attractive to foreign investors. The latter's capital invested in this sector not only brings it back, but also stimulates the further development of privatization in the country. Everything is simple. However, it is not wise for all members of the former Red camp to use this pattern in its pure form. It is interesting to see the degree to which the notions of "investment" and "privatization" go together in Ukraine at present.

As Minister of Economy of Ukraine Shpek said on one occasion, money is peculiar merchandise which does not flow to places where it is awaited, but rather to those where it works effectively. Judging by the fact that the Supreme Council recently gave an unfavorable evaluation to the operation of the State Property Fund of Ukraine, there is actually no privatization in Ukraine. We think that it is no longer necessary to explain why there are no investors and investment.... This time, BIZNES POST-POSTUP decided to learn how two professionals, a theoretician and a practitioner, rate the investment climate in Ukraine.

**Mykhaylo Kolisnyk, candidate of economic sciences, instructor in management techniques at the Lvov Technical College university:**

To my mind, there are several nuances at present which restrain the inflow of foreign capital to Ukraine. First, we have not resolved the issue of land. To this day, our parliament cannot make a determination as to whether we privatize the land or do not privatize it, merely leasing it out on a long-term basis. It is useless to expect foreign investment with such uncertainty alone. The investment risk caused by legislation is the second reason. The great number of legislative acts and contradictions between the acts, which fail to solve existing problems and merely exacerbate them, repel potential foreign investors from Ukraine. Third, we need to be continuously mindful of the fact that, as long as states with more attractive conditions for cooperation with foreign investors (for example, the Baltic countries, Russia, Belarus, and so on) exist along with our country,

the flow of capital investment will head precisely there. Ukraine will be left aside. The underdeveloped condition of the securities market is the fourth reason. The fifth reason is associated with the socio-psychological peculiarities of the population of Ukraine. As it is, it is very difficult to break the "socialist consciousness" of a certain proportion of our citizens, even more so because it is partially bolstered by the general impoverishment of the people.

The securities market has always been one of the main developmental indicators of the economy in all countries. The stock market of Ukraine is merely at an early stage of its formation, and for this reason there can be no discussion of any more or less major investment in securities. This is unlikely, although, of course, we can assume to a certain degree the growth of the market quotations of the stock in companies which engage in construction, production of construction materials, and trade in real estate. However, take a look: Issuers of a purely "Ukrainian origin" are few and far between on our stock market. This means that funds which are invested in shares by our citizens do not at all sustain the Ukrainian economy.

Futures contracts are yet another instrument of the stock market. As far as I recall, at one point, sugar futures were launched into circulation on some exchanges in Kiev, but this was where everything ended. Operations with options are not performed in Ukraine at all, either.

Ukraine needs to obtain foreign investment, but how? There are numerous such techniques in the world: tax relief, provision of state guarantees, and so on. However, given our conditions, free economic zones are one of the most optimal means of obtaining investment. The experience of Ireland, Hungary, and China confirms this yet again. As a rule, the securities market develops very vigorously in these zones, which accordingly stimulates the development of the stock market in the entire state.

At present, investment funds, holding companies, and brokerage companies, of which there are three kinds, depending on the type of services provided, are the most active participants in the stock market of Ukraine:

- 1) a company recommends how to invest funds and to a certain degree guarantees that such capital investment will not be a loss;
- 2) a company recommends but makes no guarantees;
- 3) a company simply carries out instructions from his clients.

The stock market is also influenced by the operation of mutual funds that engage in placing the capital of investors and whose operation actually depends on how large the dividends of their clients are going to be.

**Viktor Smykov, chairman of the board of the People's Investment Company "Privatization," joint-stock company, is the second specialist:**

A basis is needed for us to discuss prospects for investment cooperation between Western countries and Ukraine. The following can be such a basis: first, a stable legislative foundation that clearly regulates the process of the receipt of capital and its optimal placement and also guarantees the opportunity to receive profits from the investment made. At present, arrangements for generating and using profits resulting from investment are very inconvenient. They may be used only after the end of the economic year following audits and the filing of accounting reports. Such a "far-sighted" policy not only fails to stimulate the inflow of capital to our country but also torpedoes all reinvestment attempts. Second, the orders, decrees, and letters of the National Bank of Ukraine and the Cabinet of Ministers of Ukraine have completely emasculated the Law of Ukraine on Foreign Investment after the adoption of which a policy of acceleration in foreign economic operations emerged, to be sure, briefly, due to certain reasons.

As far as privatization is concerned, privatization "Ukrainian-style" amounts merely to a string of regulatory acts; there is no actual privatization. In recent years, the regulatory base has changed repeatedly, which indicates the absence of elementary legislative stability. No mechanism for carrying out regular privatization has been created. Ukraine periodically prepares lists of enterprises slated for privatization, but things do not advance beyond that. Unlike us, Eastern Europe is developing both faster and in a more stable manner (including the Czech Republic and Slovakia, where privatization processes began even later than in Ukraine).

...The functions of investment companies are not restricted only to the rational placement of the citizens' privatization certificates in the stock of various enterprises and companies. It is also necessary to financially support enterprises whose shares are being traded for privatization certificates. To this end, we need to find funds for the introduction of new technologies, retooling, and the expansion of existing capacity... that is, do everything possible in order to ensure respectable dividends for investors. However, we cannot accomplish this without adequate working capital; for this reason, we are also interested in the appearance of investment capital. Here is an elementary example: We collected 4 billion karbovantsy from the second prepayment for our stock. Meanwhile, according to the most conservative calculations, the cost of a specific good project is appraised at 5 billion karbovantsy at a minimum, with inflation factored in. Here are the conclusions for you. On the other hand, the very mechanism for the use of privatization certificates is imperfect. The volume of documents that need to be drawn up will turn off just about anyone to this procedure.

[Begin boxed item] At the beginning of summer, approximately 2,600 joint ventures operated in Ukraine, which was three times more compared to the same period of 1993.

Ukraine has 560 joint ventures with the countries of the European Union—22 percent of the total number of joint ventures.

The greatest number of joint ventures have been created together with Germany (214). These ventures alone have already sold products worth almost 350 billion karbovantsy and \$23 million on the Ukrainian market. Kiev, Odessa, and Lvov, Dnepropetrovsk, and Kharkov Oblasts are saturated with Ukrainian-German joint ventures the most.

Eighty-eight joint ventures have been created together with Great Britain, 65 together with Australia, and 57 together with Italy. Recently, an upward trend has emerged in the number of joint ventures in which the foreign party is represented by entrepreneurs from Switzerland, Belgium, Austria, and the Netherlands.

According to data from the Ministry of Statistics of Ukraine, raw materials, metal, fuel, and consumer goods are mostly exported from Ukraine. Machinery, equipment, spare parts, office equipment, and foodstuffs are imported. However, funds virtually do not reach the state treasury. This is associated with the nature of foreign capital which operates in Ukraine: First, barter operations account for 82 percent of the volume of trade by joint ventures; second, 80 percent of the investment is made in trade and brokerage operations. Investment in production accounts for a negligible fraction of statewide indicators.[end of boxed item]

**ZVYAHILSKYY Defends Conduct in Office**

944K2189A Moscow TRUD in Russian 20 Aug 94 p 5

[Interview with Yefim Zvyahilskyy, former acting prime minister of Ukraine, by Nikolay Mokrishchev in Donetsk; date not given: "Yefim Zvyahilskyy 'Has Risen From the Dead'; It Is Rumored That the Former Acting Prime Minister of Ukraine Committed Suicide. Our Correspondent Talks With Him"]

[Text] The ink did not even get dry on Yefim Zvyahilskyy's statement about his resignation from the position of acting prime minister of Ukraine, when numerous false reports associated with his name began to circulate throughout the republic. The first concerned the house arrest of Yefim Zvyahilskyy. Then it was rumored that he was taken into custody. Rumors were going around about an infarction. And starting Monday morning, 15 August, talk began to spread about his suicide...

On that very same day, I called up a well-known director's number at the Mine imeni Zasyadko, from where Zvyahilskyy's sudden climb to the top started. Yefim Leonidovich himself answered.

And so he is sitting opposite me in the chair of the council of leaseholders of the mine, rested up after a vacation in Yalta, healthy, unharmed, and without a guard.

[Mokrishchev] Yefim Leonidovich, the newspapers, radio, and television are disseminating information that is not quite clear about the fact that the Procuracy General of Ukraine instituted criminal proceedings concerning the sale of aviation fuel abroad, which damaged the country, and about your direct participation in this matter. According to another version, a case has actually been initiated, but concerning the fact and not against specific persons...

[Zvyahilskyy] Indeed, it is also being said that aviation kerosene was sold dirt cheap from Ukraine's state reserves almost in secret.. But let us look at the facts, about which many do not know, and those who do know are being silent for some reason.

I will talk first of all about secrecy. Everything that concerns the status of state reserves is a state secret. That is why even a document concerning the sale of aviation kerosene is furnished with the "secret" stamp. The authors of many publications know about this, but the word "secret" has a magic effect on those who are not informed, and it starts to play on the imagination.

Aviation fuel was not sold secretly, and not in the least for the sake of obtaining a profit. This is the way it was. It was the last 10 days of November 1993. Inflation was raging in the country. The December jump in prices that everyone remembers was starting. For several days, the Supreme Council of Ukraine discussed questions on the social protection of the population from the expected pernicious consequences, and noninflationary possibilities for increasing minimal pensions and wages were sought. The deputies understood that to turn on the printing press once again would mean to initiate one more powerful spiral of inflation whose monthly rates even without this were exceeding 80 percent. It was necessary to find resources without the emission of money. To put it simply, money was needed for the payment of pensions, benefits, stipends, and subsidies to miners and villagers under conditions of a continuing drop in production. And it was needed in the sum of 8-9 trillion karbovantsy.

Speaking in behalf of the government at a session of the Supreme Council on 25 November, I said (and this is in the verbatim report) that the situation can be changed for the better at the expense of the sale of sugar, alcohol, and aviation kerosene from the state reserves.

As you see, the government did not make any secret of this. And it is this that can be considered the beginning of the decisive implementation of a planned complex of anti-inflationary measures.

Now, when inflation has been restrained (its increase in July was a total of 2.1 percent), and when there is no

need literally to collect resources in piddling amounts to replenish the Pension Fund, it is also possible to criticize that November decision of ours, and even to find an ordinary criminal case in it. But, at that time, the question was put point-blank: Either abandon the most unprotected elements of the population, and indeed the entire budgetary sphere, without the resources for existence, or continue to inflate. The government took another path, which made it possible to avoid one and the other.

[Mokrishchev] Did you make this decision personally?

[Zvyahilskyy] Many newspapers are persistently emphasizing that allegedly I personally made the decision on the sale of the kerosene. In fact, there is a special decree of the Cabinet of Ministers on this score. It, naturally, is signed by me as the acting prime minister. But, as the procedure requires, it is signed only after the examination and endorsement of the document by specialists and members of the government. And, if any one of them would express a sound objection, the document would not be signed without detailed study, and it is possible that it would not see the light of day at all.

[Mokrishchev] And why was the fuel not sold in Ukraine, but abroad?

[Zvyahilskyy] Before adopting the decision on the sale of fuel abroad, it was proposed to the Ministry of Transport (to Minister O.D. Klympush) in November of last year to acquire for the enterprises of the Ukrainian Airline all of the 200,000 tonnes of aviation kerosene offered for sale (the state reserves at that time had 450,000 tonnes) at a price no lower than 4 million karbovantsy per tonne, without taking into account transportation expenditures, under conditions of a full advance payment. The operation generally made no sense without a prepayment, since it was necessary to receive the resources to replenish the budget already in December.

The Ministry of Transport of Ukraine, holding a conference with the managers of the Department of Aviation Transport, came to the conclusion that, because of the difficult financial condition, the aviation enterprises were not in a position independently to pay even a small sum for the offered fuel. An attempt of the Ministry of Transport to acquire credits from commercial structures did not succeed. Even despite the agreement and signing of a protocol of intentions on joint activity on this question with the Inkom company, this company decided to involve a foreign investor who through several foreign banks guaranteed an extension of credit under favorable terms for the purchase of the fuel and to transfer \$25 million.

But, at that time, there was an insufficient coupon supply for conversion of the indicated sum. The Ministry of Transport conducted negotiations on this question with bank representatives. However, the necessary resources were not found. Later, the Inkom company, with the assistance of several banks, succeeded in procuring 150

billion karbovantsy with the accreditation of each batch of shipped fuel. But civil aviation did not release the fuel on such conditions.

[Mokrishchev] It is claimed that the contract concerning the sale of aviation kerosene was unprofitable from the very beginning, that Ukraine lost \$5 million on this—according to other publications, \$10 million—and that someone lined his pockets with this. What is your comment on such statements?

[Zvyahilskyy] The accusations are so serious that I would not want to reject them without furnishing any proof and without documentary confirmation.

The foreign economic firm Raznoimpaks engaged in the sale of the kerosene. After the sensational statements in April of this year of the newspaper NEZAVISIMOST, on the instructions of the Cabinet of Ministers, several experts conducted an examination of the documents associated with the contract between the Raznoimpaks and Ukrav Petroleum LTD companies. The experts noted that, during the establishment of the price for the Ukrainian commodity, the inadequacy of its standards and, consequently, the additional expenditures of the purchaser to bring it up to the standards; that is, to reprocess it, were justifiably fully taken into account. Also taken into account was the fact that the period for the storage of the kerosene had expired and that other factors influenced its competitiveness. In addition, the kerosene was only suitable for Soviet aircraft operating abroad. Therefore, the price was also lower than the prevailing price on the world market by 20 percent. But, according to the conclusion of the experts and the Ministry of Foreign Economic Relations, the contract was not disadvantageous for Ukraine.

As for the claims of the press concerning machinations in the execution of the contract and about the participation in it of various structures and individual persons, I think it is premature to talk about this before the conclusion of the investigation. Only the court can make a decision. But the resources received from the sale of those 95,300 tonnes of kerosene, right down to the kopeck—400 billion karbovantsy—were placed in the budget.

[Mokrishchev] Why did not you, or anyone else, come out in the press with a refutation of information that did not correspond to reality?

[Zvyahilskyy] I would state the question somewhat differently. Why did the first article on such a burning issue of the day under the intriguing title "NefteYEFIM-Izvest" appear in the NEZAVISIMOST newspaper on 8 April 1994, when I was a candidate for deputy to the Supreme Council? After all, in accordance with the Law on the Elections of Peoples Deputies of Ukraine, the mass media is obliged to refrain from publishing unverified materials that compromise a candidate for deputy, a political party, or its electoral bloc a week before the voting. The material was published on 8 April, and the elections were on 10 April. How was it possible to

demand compliance with the provision of the law that the mass media is obliged within a week's period, but not later than a day before the elections, to grant an opportunity to the pertinent candidate to refute the compromising materials? The selection of the date of the publication was very exact and far from accidental.

I treated the unsubstantiated attacks in the press condescendingly. But, after the second publication also in NEZAVISIMOST of an article on 27 April—"The Affair Smells of Kerosene"—I realized that this was not the usual newspaper canard. The newspaper did not react to the request of the press service of the president and the Cabinet of Ministers of Ukraine to the editor in chief of NEZAVISIMOST to publish the results of the expert examination of the contract in accordance with Article 37 of the Law on Printing Organs of the Mass Media (Press) of Ukraine. The material was not published. There was also no reaction to the letter of the deputy minister of Foreign Economic Relations to the editorial office that gave a detailed clarification of the substance of the question. I am convinced that it was far from accidental that the information on my participation in the transaction concerning the "unprofitable" sale of kerosene appeared at the beginning of August practically simultaneously in many newspapers, on radio, and on television; and, moreover, not only in Ukraine, but in other countries as well, and not only the near abroad? Ridiculous discussions were also published to the effect that I am the wealthiest person not only in Europe, but even in the world.

[Mokrishchev] This is probably useful to someone? What do you think, to whom?

[Zvyahilskyy] The entire economic policy conducted by the government from last autumn to June of 1994 was directed at applying the brakes to inflation. We succeeded in doing this. But, after all, it is known that certain structures that have access to freely convertible currency, commercial banks, and some financial circles, felt like a fish in water in the inflation that they themselves stirred up. The higher the inflation, the better for them. And the oil magnates? After all, the policy on restraining prices, first and foremost on oil products, deprived them of fabulous profits. We brought the price for gasoline on the domestic market to 5.5 million karbovantsy per tonne, cutting it in half, and for agriculture, to 4 million karbovantsy, taking all transportation expenses into account. And during the spring field operations, there no longer was any talk of a shortage of fuel.

The profits not only of Ukrainian, but also of Russian oil dealers, fell as a result of the lower prices. Who indeed will forgive such a thing? Incidentally, a note appeared in the newspaper TRUD at the beginning of summer in which the author commented that the hope that the oil

famine would bring Ukraine to its knees did not come true. Ukraine began to seek new markets, and it purchased 2 million tonnes of oil in Amsterdam at prices lower than Russian prices. This was noted in the Russian press by Minister of Fuel and Energy of the Russian Federation Yuriy Shafranik himself.

And the lowering of bank interest rates? Is something like this really forgivable? The government undertook many measures that affected the "vital" interests of

certain circles that, while small in numbers, were strong enough to organize a powerful campaign in the press to defame anyone.

**It is possible that TRUD is the only newspaper that gave an opportunity to the former acting prime minister of Ukraine to express his viewpoint regarding the scandal that broke out. An investigation is under way, there will be a trial, and it will put everything in its place.**

## ARMENIA

**Opposition Seen Lacking Ideological Unity**

944K2265A Yerevan *RESPUBLIKA ARMENIYA*  
in Russian 1 Sep 94 p 1

[Article by Aram Abramyan under the rubric "Press-Landscape": "Let Us Settle Scores, After That Forget It"]

[Text] The journalist Khachik Mkhitarian in a letter to Azatamart recalls Soviet times and writes: Then everyone openly admitted that they were serving the socialist regime and the Communist Party since totalitarianism reigned. Those who went against the flow lost not only their freedom but also the possibility of earning their daily bread. "Thank God," writes the author, "that thrice damned regime has collapsed, and today the journalist can freely express his thoughts."

But, even today, we still do not have everything in order regarding this, the author thinks, noting that, on Russian television, there are frequently representatives of the opposition, while our TV gives the floor to supporters of only one position. A simple conclusion can be drawn from the last remark: Mr. Mkhitarian is not paying attention to our programs.

Valeriy Aydinyan notes in GOLOS ARMENII that this newspaper is accused of sympathies for various political forces in turn. Yet, in his opinion, this behavior was dictated by a desire to find the truth. In fact, the newspaper by turns gives its devotion to whoever in the given time interval occupies what seems to it to be the most aggressive and irreconcilable position with respect to the authorities. The newspaper has determined its enemy once and for all, but it changes its partners fairly frequently, depending on who is shouting the loudest at the time. Under these conditions, the search for the philosophers' stone, frankly, is somewhat unidirectional in nature.

"The lack of political experience and breadth of thinking has created a rigid ideological template for our opposition: It must impede the activity of the legal authority in keeping with the principle 'the worse the better,'" it says in the political commentary of the newspaper YEREKOYAN YEREVAN.

"It is not difficult to assert" it notes in the article, "that everything in the stores is expensive, wages are low, that this person is making a mistake, and that one is a criminal. It is much more difficult to say what you would do if you were entrusted with the power: immediately provide for complete abundance, remove the blockade, solve all the crimes in a single night, or unite Karabakh and Armenia? Tell us what you would do? You remain silent because you know that nobody will believe you."

In an article in the newspaper YERKIR, it says that it is fairly difficult for the people to understand how those who were recently on the same side of the fence with the

leadership have now become their most active opponents and, it seems, people who apparently used to be friends are ready to simply destroy one another today. Each of the sides is trying to convince the people of his honesty and sincerity, which, in the author's opinion, is not so easy to do: The people have become disenchanted with all political forces, especially the opposition leaders, who just yesterday were preaching altogether different ideas.

Gayk Aramyan, analyzing the domestic political situation in LRAGIRA, writes: "Under conditions where it seems that there is no alternative to our current power, appeals to outside forces become increasingly active, frequently appearing in extremely distorted forms, for example, in the form of publications from the foreign press, which are superficial and fairly remote from reality, especially when added to this is a clearly scornful attitude on the part of the empire toward its former colony. It turns out that only the authorities are concerned about Armenia's independence, while the others link their hopes to one or another form of return of the 11th Army."

A dangerous situation is created wherein the ideological struggle has given way to a personal one and there are activists who have set revenge as their only goal and after that—forget it."

The analytical department of GOLOS ARMENII, commenting on the rather cool relations among all political forces and the National Democratic Union, notes that "In such a situation, the National Democratic Union is left with nothing except arguments for the idea of a so-called pocket opposition; at first glance it seems to be extremely critical but at the decisive moment it always stays on the side of the president. The postulates of the opponents can be formulated briefly: The National Democratic Union is not prepared for resolute actions and, fearing the prospects of defeat in the elections, has begun its election campaign ahead of time." It is also noted in the article that "The National Democratic Union itself, proposing no concrete program of actions, promotes such deductions." The conclusion from this analysis is as follows: "In Armenia, as it turns out, there is no idea of a coalition at all."

It would probably be worthwhile to think about the reasons for such a phenomenon. From all appearances, in order to build a coalition the parties must first clarify their own ideological principles. For example, our communists, rejecting a dictatorship of the proletariat, revolution, and proletarian internationalism and allowing private property, still continue to call themselves communists. The same kind of indefiniteness exists in all other parties. In order to unite, it is necessary to know what you want and will work for besides overthrowing (or, say, preserving) the current power.

## AZERBAIJAN

### 'Trieste Model' Proposed for Karabakh Status

944Q0569A Moscow NOVOYE VREMENYA in Russian  
No 33, Aug 94 (signed to press 16 Aug 94) pp 14-17

[Article by Professor Yuriy G. Barsegov, doctor of legal sciences and author of a number of books on the problem of Nagornyy Karabakh: "Trieste Model for Karabakh: Special Status—A Solution for the Former Nagorno-Karabakh Autonomous Oblast"]

**[Text] A faint hope that a settlement in Nagornyy Karabakh will be moved from standstill has begun to glimmer. Things are moving toward the possible commitment to the republic of a Russian peacekeeping force. Blessing for this action has been obtained from U.S. President Bill Clinton, whose word may be considered decisive in the shaping of the opinion of the world community.**

**Success has been achieved in the humanitarian dimension of the conflict—the participants in the Moscow Nagornyy Karabakh negotiations have agreed on the mutual return of women and children held in Azerbaijan and Nagornyy Karabakh and Armenia.**

**Unless the fulfillment of the agreements is stymied (we might as well knock on wood here), the first difficult step may be considered a success. And then a question that has been on the agenda permanently, but that has been shoved aside by the horrors of actual war, will become super-urgent—how to reconstitute Karabakh?**

The task of a peaceful settlement of the Karabakh conflict is not to provide a breathing space prior to a new round of violence, but to exclude violence from relations between the Azerbaijani and Armenian peoples forever and to create the conditions for good-neighborly interaction between them.

To determine the reasonable limits of a compromise, it is necessary to have an idea of the absolutely essential conditions of a settlement, as, equally, of the limits of the parties' possible concessions. They are set by the grim, bloody history of relations between the Azerbaijani and Armenian peoples, which is viewed in the broader context of relations between the Armenian people and the Turkish and Turkic world.

### What Is Unacceptable for the Armenians

The history of these relations has brought the Armenians to the unequivocal conclusion that the establishment of state power of Azerbaijan in Nagornyy Karabakh in any form and even under any international guarantee of "minority rights" would signify the obvious denial not only of the rights of its Armenian population to free existence, but also its right to life. The inevitable result of this would be a "final solution"—a new slaughter of the Armenians of Nagornyy Karabakh—or, at best—with the establishment of international control—"white genocide," that is, the destruction and ouster of this national

group with the aid of economic means and under the constant threat of slaughter or individual reprisals, as was the case even under the conditions of the strictest control of the Soviet state.

For the Armenian consciousness it is axiomatic that international guarantees, given the preservation of vertical relations between Armenians and Azerbaijanis, would signify, at best, a stay of execution and a change in the means of execution. Armenians cannot fail to consider the fact that the unsuccessful attempts to ensure the security of the Armenians of Western ("Turkish") Armenia made over a whole century by the community of states ended on each occasion in increasingly new acts of genocide.

Consequently, a return to the Bolshevik formula of the "broad autonomy" of Nagornyy Karabakh even by way of the enhancement of its status to republic level and the establishment of federative relations regulated by the Constitution (public law) of Azerbaijan could not ensure the legitimate rights and vital interests of the Armenian people of Nagornyy Karabakh. Azerbaijan has already demonstrated to the world that it regards the provisions of the Constitution concerning autonomous formations, the status of the autonomous republic included, as the discretionary competence of the Azerbaijani state. Before the Nagorno-Karabakh Autonomous Oblast was liquidated, the Azerbaijan parliament adopted, in November 1991, a law whereby it declared its right to make to the Constitution amendments abolishing all autonomies, republic included.

### What Is Unacceptable for the Azerbaijanis

On the other hand, political realism suggests that the reunification of Nagornyy Karabakh and Armenia is impossible, since it is unacceptable for Azerbaijan and its guardian—Turkey. It is rejected by other Turkic states. The factor of Islamic solidarity operates also.

Political wisdom dictates the need for a compromise solution midway between the extreme positions—Azerbaijan's aspiration to bring Nagornyy Karabakh back under its authority and the proclaimed act of its reunification with the Republic of Armenia. It is obvious that only the separate independent existence of the Nagorno-Karabakh Republic could be such a solution. Such a solution should, evidently, be based on horizontal treaty relations between the Nagorno-Karabakh Republic and Azerbaijan, and at the same time be compatible with the right of its people to freely determine their own fate.

The acceptance in principle of the status of Nagornyy Karabakh as a subject of international law as the basis of a settlement would make it possible to take (with the consent of the people of Nagornyy Karabakh, of course) additional new steps away from the mid-point in the direction of Azerbaijan by way of the establishment of special treaty relations of subjects of international law in

the form of a confederation or free association or even some form of interstate union.

There is the corresponding precedent for such horizontal treaty relations between Azerbaijan and Nagornyy Karabakh: The Government of the Azerbaijan Republic and Nagornyy Karabakh in the shape of the Seventh Congress of Armenians of Karabakh gave their consent on 22 August 1919 to their relations henceforward, until the final settlement of the territorial dispute between Armenia and Azerbaijan concerning the status of this territory, being built on treaty relations based on international law.

Although in the process of a long war of liberation the people of Nagornyy Karabakh virtually built their own independent statehood and proved to the world its viability, it would most likely be possible in the interests of the establishment of lasting peace and a normalization of Armenian-Azerbaijani and, in a broader context, Armenian-Turkish relations to also address certain, in our view, promising, albeit nontraditional, models of statehood with limited competence.

#### Special Status. Precedents

The international practice of a solution of questions like the Karabakh question suggests the possibility of solutions based on the establishment of limited statehood in the form of the special status in international law of "free state" or "free territory." The regime established on such territories has usually been accompanied by the permanent neutralization of such states or state formations. These regimes have been established on the basis of international treaties, which have determined the peaceful settlement of questions that have become a matter of dispute, conflict, or war.

We may point as early examples of such to the status of the "Krakow Republic" or the "Free City of Danzig." Among later examples, the international status of Tangier, Saar, Jerusalem, and others. The status of the "Free Territory of Trieste," whose creation was specified within its internationally established state borders by Article 21 of the 1947 peace treaty with Italy, is of particular interest.

Thus, in accordance with the permanent status of the Free Territory of Trieste (annex VI of the peace treaty with Italy), it was to have its own constitution, its own legislative and judicial authorities, and its own government, flag and coat of arms, citizenship, monetary system, police forces, and so forth.

As distinct from trust territories, the Free Territory of Trieste was recognized as being capable in international law. It was confined to the status of neutral and demilitarized state. Trieste could conclude international treaties, with certain exceptions that excluded military agreements. The integrity and independence of the free territory were to be secured by the UN Security Council.

Providing a legal classification of this variety of state, specialists observed that it was a question of the formation of a new subject of international law distinct both from its traditional subject—the sovereign state—and from a trust territory, inasmuch as it possesses self-government and many attributes of a state, in the international sphere included.

Examining the possibility of the application of this model to Nagornyy Karabakh, mention should be made of the very salient singularity of the question of the status of Nagornyy Karabakh, which amounts to the fact that Karabakh statehood has deep historical roots and is based on actual military strength, and its population has the right of self-determination recognized by the parties—Azerbaijan and Armenia. Consequently, it is not a question of the creation of a state formation but of recognition of an existing state, which cannot be kept away from participation in the negotiations on the formulation of its future status. Despite all this, many elements of the status of the said state formations could be considered at the time of elaboration of the status of the Free Republic of Nagornyy Karabakh.

#### Neutrality and Its Guarantees. Demilitarization

Accommodating the political conditions of Turkey and Azerbaijan, an arrangement could be reached concerning the permanent neutralization of Nagornyy Karabakh, that is, a status of the state in international law in accordance with which it would be required not to join military alliances, not to make its territory available for troops and military bases of other states, and not to participate in armed conflicts. The permanent neutrality of the Free Republic of Nagornyy Karabakh could be guaranteed by Armenia and Azerbaijan and also neighboring states—Turkey, Iran, and Russia—or the original vectors of the territorial legal title—Iran and Russia. Another circle of guarantors—the great powers, the UN Security Council, or the CSCE, for example—is possible also.

Given certain conditions, it would be possible to go even further and establish a regime of the partial or even total demilitarization of Nagornyy Karabakh.

Demilitarization presupposes that exercise of the function of protection of this territory would be assumed by an international body in the shape of the guarantor states, the great powers, the United Nations, or the CSCE. It is obvious that the demilitarization (full, particularly) of Nagornyy Karabakh should be accompanied by an international guarantee of the inviolability of its territory. The material guarantees of the security of a demilitarized Nagornyy Karabakh should be the demilitarization of the border zones from the Azerbaijan side for the separation of potentially hostile parties and the prevention of a surprise armed incursion.

Ideally, it would be desirable for pertinent measures on the scale of Azerbaijan and Armenia, even the Transcaucasus as a whole, to correspond to a solution of the

Karabakh question and its neutralization and demilitarization. This would facilitate the conversion of Nagornyy Karabakh from a source of conflict between them into an arena of rapprochement and good-neighborliness.

### Geopolitical Implications of Karabakh Conflict Viewed

944F1390A Moscow *SEGODNYA* in Russian  
26 Aug 94 p 4

[Article by Armen Valesyan (Mercator Group): "The Karabakh Crisis: Geopolitical Game of Go"]

[Text] The Karabakh conflict, the first armed conflict within the territory of the ex-USSR, has been the longest and bloodiest conflict of them all. We have heard about the extensive use of heavy armaments, including aviation, tanks, armored vehicles, artillery mounts, and multiple missile launchers. According to the data of the Stockholm International Research Institute, the Karabakh conflict is on the list of the 13 most serious conflicts in the world, along with such hot spots as Bosnia, Angola, and Afghanistan.

Today it is obvious that the trajectory of the conflict will depend on much more than just the actions of the parties directly involved in it. We have to analyze the situation on different levels for a better understanding of its geopolitical implications.

#### Microlevel

The alignment of forces within the Transcaucasus is influenced directly by the conflicting parties.

The self-proclaimed Nagorno-Karabakh Republic (NKR) managed to direct the economy into military channels and quickly establish something that might be described as the most battleworthy army in the CIS. The military successes became the basis for diplomatic breakthroughs: At the beginning of this year the NKR was recognized by Azerbaijan as an autonomous party in the negotiations. The model of conflict resolution the NKR leadership proposed is well-known: "Peace and territory in exchange for status." The existence of the new republic would be guaranteed by its army and by the corridor connecting it with Armenia.

Azerbaijan, which began by relying exclusively on coercive methods, is now losing the battle. The republic has lost control of almost one-fourth of its territory. The number of refugees is approaching 1.5 million. The republic has lost two large irrigation networks, close to 40 percent of its summer pastures, and almost 20 percent of its cattle. In spite of this, the Russian settlement plan has not been signed by Azerbaijan yet: The republic leadership is still trying to gauge the new balance of power among forces with geopolitical interests in the region. The grounds for this policy are the solidarity of the Muslim countries (which certainly transcends the

moral dimension) and the interest of Western oil concerns in the hydrocarbon deposits near the Azerbaijani shore of the Caspian Sea. The possibility of new attempts to take advantage of the course of military events cannot be excluded. It does not seem plausible, however, that Azerbaijan seriously expects any help from Russia.

Armenia, in contrast to its eastern neighbor, is an island of relative political stability in spite of its colossal economic difficulties, caused largely by the blockade and resulting in a mass exodus. The successes on the Karabakh front are connected to some extent with the diplomatic artistry of President Levon Ter-Petrosyan, who managed to nullify the earlier anti-Moscow inflections in Armenia's geopolitical strategy. Armenia is now Russia's main military-political ally in the Transcaucasus, and the latest agreements on the deployment of the joint Russian-Armenian air defense system provide additional evidence of this.

The analysis of the balance of power on the microlevel would be incomplete without some mention of Georgia. Tbilisi's official position is one of cautious neutrality, with consideration, on the one hand, for the existence of comparable conflicts within its own territory and, on the other, for the importance of the power transmission and transport arteries running through Georgia to the blockaded territory of Armenia.

#### Mesolevel

The determining factor on this level is the traditional rivalry of three regional "whales"—Russia, Turkey, and Iran. Each has its own—not very romantic—interests in the Transcaucasus.

Russia, mindful of the lessons of past history, when the loss of the Transcaucasus destabilized the Northern Caucasus, is trying, at the very least, not to lose its role as the dominant political force in the region. In spite of the transfer of the headquarters of the Caucasus border district from Tbilisi to Stavropol, Russian troops are still guarding the Georgian and Armenian borders with Turkey. Agreements on the maintenance of the Russian military bases in these countries have been concluded. Russia's main tactical objective in the region is a military return to Azerbaijan, especially since this republic is the site of the ABM early warning system in Gabal, which is of particular military interest.

Viewing the conflict as an effective means of exerting pressure on the conflicting parties, Russia is in no great hurry to resolve it. If the conflict were to be resolved, Russia would lose its enviable ability to tip the scales in the necessary direction by supplying the warring sides with weapons. As far as the latest Russian peace plan is concerned, it would not resolve the conflict: it would keep it in a state of suspended animation, capable of being revived whenever necessary. Russia's policy of pursuing immediate military-tactical goals might have a boomerang effect over the long range: The attitude toward Russia in Georgia and Azerbaijan already leaves

much to be desired, and Armenia will sooner or later—when the drum rolls in honor of the ephemeral military victories fall silent—have to acknowledge the need to find a common language with its neighbors, especially after the principles of contemporary international law have cooled the passions of the champions of reunification.

Turkey's hopes of acting on the old idea of the "pro-Turkish belt" of Turkic-speaking peoples became more evident after the breakup of the Union. The architects of this strategy have assigned the Transcaucasus a key role as the geopolitical bridge between the "elder brother" and the rest of the Turks. With the support of the West, which believes that Turkey's ambitions will shield the region from the expansion of Islamic fundamentalism, Turkey is already working on several specific programs: Trade and economic ties are being developed, and thousands of specialists from the Turkic-speaking republics are being educated and trained in Turkey. A special ministry on cooperation with the northern neighbors has been established in Ankara.

All of this naturally predetermined Turkey's position in the Karabakh conflict. Although Turkey was the first country to officially recognize Armenia's independence, it still has not established diplomatic relations with it. It has not even lifted the embargo on the transit shipment of humanitarian freight for Armenia through Turkish territory. In addition to all of this, the presence of Turkish advisers in the Azerbaijani army and Turkey's support for Azerbaijan's position in international organizations, especially the United Nations, are an indication of Ankara's geopolitical inclinations.

Turkey's unambiguous approach is in sharp contrast to the position of Iran. Its displays of objectivity sometimes suggest complicated intrigues. Although it is wearing the toga of a peacemaker and adhering to a policy of strict neutrality, Iran originally tried to use the conflict to end its own diplomatic isolation. The two conflicting sides, however, responded to Tehran's efforts with apprehension. Relations between Azerbaijan and Iran were clouded by the presence of more than 10 million ethnic Azerbaijanis in the two northwestern provinces of Iran, where appeals for the reunification of the Azerbaijani people are occasionally heard. The Armenian side, on the other hand, must be disturbed by the Azerbaijani army's use of adjacent Iranian territory for tactical purposes, particularly at the time of the winter assault on Goradiz. Cultural barriers are also significant: The fact that Armenia and Iran belong to two different civilizations cannot be ignored. In short, in spite of the gradual increase in Iran's economic cooperation with both republics (exports from Azerbaijan to Iran in 1993 amounted to 192.7 million dollars, and imports were 42 million dollars, representing 55 percent and 18 percent respectively of its trade with distant foreign countries), this country's influence in the region is clearly no match for that of Turkey, not to mention Russia.

### Macrolevel

When we move up to the next level, we see several entities that can be described as heavyweights. These are the Western countries, especially the United States.

Reports of more active American diplomacy in the expanses of the post-Soviet south are common in the news media: Some analyze the possibility of protecting the Kazakhstani coast of the Caspian Sea, others propose aid to Georgia in the creation of a regular army, and still others discuss the plans to form a mountain rifle division in Kirghizia. These reports and similar news items attest, at the very least, to Washington's interest in the region, including the Transcaucasus. Furthermore, the United States is making frequent use of the UN and NATO umbrellas (particularly the "Partnership for Peace" program). The European nations are also playing their own game by offering their services in the resolution of the Karabakh conflict through the Minsk CSCE group. What do the Western countries hope to find south of the Caucasus Range?

The geostrategic goal is obvious—direct proximity to several states viewed as possible seats of expansionism (primarily Russia and Iran). There is also the equally important, if not more important, goal of controlling shipments of crude resources to world markets. A consortium of large Western companies is hoping to exploit rich deposits of oil ("Azeri," "Chyrag," and "Gyunesly") and gas condensate ("Shakhdeniz") near the Azerbaijani coast of the Caspian Sea in partnership with Turkish firms. The stakes in this game are quite high—according to preliminary estimates, the yield of oil from just the "Azeri" and "Chyrag" fields could amount to 30-40 million tonnes a year within just a few years. Furthermore, the Caspian oil is of interest to more than just the Western strategists. There is an odd tendency at work here: Every time Azerbaijan has been ready to sign oil agreements with Western companies, military or political events have subverted the creation of the oil alliance.

No oil has been discovered in Gyandza, the second largest city in Azerbaijan, but this is where the keys to the Caspian oil were found twice now. In June 1993 it seemed that Azerbaijan would be reaching an agreement with Western companies at any moment. It was from Gyandza that Suley Guseynov, then the little-known director of a wool-carding factory, got heavy armaments from the Russian 1104th Airborne Division and began his triumphant assault on Baku, which led to the removal of President Elcibey and, consequently, to the subversion of the oil project. After that Azerbaijan adjusted its foreign policy line by joining the CIS ranks, and the Russian Lukoil concern became actively involved in the oil negotiations. Then history repeated itself this February, when the Heydar Aliyev administration's plans to sign agreements were frustrated by the massive assault on Gyandza by Armenian military units. As a result, the agreements still have not been signed, and at the

beginning of the summer an official spokesman from the RF Ministry of Foreign Affairs issued two press releases questioning Azerbaijan's right to make independent decisions on the exploitation of oil and gas deposits in the Azerbaijani sector of the Caspian Sea. The Karabakh crisis imperceptibly turned into one of the trump cards in the battles for the oil.

The battles are being fought not only for the "first oil rights," but also over the possible routes of its shipment to Europe. The "southern option" of laying a pipeline to the Turkish Mediterranean port of Yumurtalik, with a possible hookup to a branch from Iraq, is extremely problematic because it would have to pass through the territory of Iran, with its "anti-Western" attitudes, and through the operational zones of the Kurdish rebel detachments in southwestern Turkey. The Transcaucasian option, presupposing the use of the same route as the old Baku-Batumi pipeline, is also unlikely to work until the Karabakh conflict has been resolved completely. Under these conditions, the "northern" route—through Russian territory to Novosibirsk and then by tanker or along the bottom of the Black Sea to the Turkish port of Samsun—might be preferable, but this would mean that the shipments would be under Russian control.

The competition between the two long-suffering plans for the resolution of the Karabakh conflict—one proposed by the CSCE and the other by Russia—can be viewed as a reflection of the struggle for leadership in the region and the closely related oil battles. Although the plans are similar in many respects in terms of the degree to which the demands of each side would be satisfied, they are vastly different in terms of the mechanisms for their implementation. The Russian plan presupposes the introduction of the peacekeeping disengagement forces of the CIS into the conflict zone, thereby securing an effective ceasefire. The CSCE, which has no wish to give up the laurels of a peacemaker and the consequent proprietary privileges to Russia, has proposed that the process be confined to the efforts of its own observers. It is unlikely that they would be able to uphold the ceasefire autonomously, because the CSCE has no military forces of its own. Obviously, Turkey also wants Russia's activity to be confined within the CSCE framework.

It is interesting that there are differences of opinion even within the Western bloc of countries. The Swedes at the head of the Minsk group are inclined to unite their efforts with Russia on an equal basis, whereas the United States wants Russia to "fit" completely into the CSCE framework. Great Britain's position is largely determined by the fact that British capital is represented substantially in the group of companies fighting for the Caspian oil rights. There has also been some competition between the Anglo-Saxon countries and Germany for influence in the Transcaucasus.

#### Megalevel

Now we can move one more rung up the ladder and analyze the Karabakh drama from the standpoint of the

rivalry between global structures. Even from this vantage point, Karabakh is an important geopolitical "acupuncture point": Any pressure on it can cause reactions in different parts of the planet.

According to the theories of well-known American political scientist S. Huntington, cultural differences are the fundamental cause of conflicts between people in the new world that took shape after the end of the cold war. Of course, the national states will remain the most powerful protagonists in international affairs, but the most significant conflicts on the global level will arise between nationalities and groups belonging to different civilizations. According to Huntington, there are eight main civilizations: Western, Slavic-Orthodox, Confucian, Japanese, Islamic, Hindu, Latin American, and—possibly—African. The lines of demarcation between the civilizations are the main conflict zones. The Karabakh crisis erupted in the border zone between the Slavic-Orthodox and Islamic civilizations. The volatile nature of this line of demarcation is quite evident from another section of this border zone—the Bosnian region.

Karabakh is also the site of another line of geopolitical demarcation between the military-political union of the "North," formed in line with the "Partnership for Peace" program, and the global "South." Another axis of confrontation lies between the Christian world and the Islamic world.

It is clear that the Karabakh crisis is extremely multi-leveled and that the approach to it requires analysis from several vantage points. During different stages of the conflict the balance of power on any level can change in response to the changing prominence of the parties involved in the conflict. Today the main battles are being fought on the oil battlefield, enhancing the importance of changes on the macrolevel.

Each of the parties in this conflict is pursuing its own interests, with little concern for abstract humanistic considerations. What is at stake here is not just a group of ivory chips, but tens of thousands of human lives. The sooner the warring sides realize that they are pawns in a big geopolitical game, with the moves being planned in locations other than Baku and Yerevan, the more likely they are to resolve the conflict as quickly as possible.

## GEORGIA

### Conditions, Attitudes in Abkhazia Assessed

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[Article by Oleg Blotskiy, LITERATURNAYA GAZETA special correspondent: "Abkhazia: War Is Felt Even in the Sound of the Waves"]

[Text] Sukhumi-Moscow—Today there is just one way to reach Sukhumi: Fly to Sochi, travel by bus to the border river Psou, and then take a local bus cross-country to the Abkhazian capital.

**Virtually the entire journey is along the seashore. Along the Russian portion of the trip, you see sunburned people and endless crowds along the seashore strip. Farther on, beyond the Russian border, there is EMPTINESS—beaches absolutely vacant, the ruins of boarding houses, hushed villages, a road with little traffic.**

**The weather is enviable—the sun glitters in all its Caucasian golden-toothed splendor, dark green mountains spread lazily to the left, their definition broken up by the haze of the midday sun, while to the right are the shallow ripples of the greenish sea, an impartial witness to today's human tragedy.**

#### **Hatred**

War always tears human life into two parts: before and after. And the person "after" is never able to live as he did "before." He tries, strives to attain his prewar life, but always runs headlong into that merciless wall which is called WAR.

War enters every house with the photographs of those who have perished. It covers women's heads with black shawls and compels people to puff up the ground with hills of fresh graves.

Attention is usually directed to the destruction. But homes can be restored. They are always rebuilt—in a year, in two years, in five years. After all, people have to live somewhere.

But what about their souls, their memories? And will the Georgian inscriptions so painstakingly posted on all the road signs in Abkhazia be restored? Probably not.

Hatred of Georgians permeates the Abkhazians, young and old.

They endure their present difficult, half-starved existence in an outwardly calm manner—what can you do? There was a war. And Abkhazians reconcile themselves with poverty by virtue of the fact that many have not received wages since 1992, since the very outset of the war. What can you do? There was a war. But they are unable to talk calmly about their enemies.

"There is bread. I will bring beans and corn flour from the village. We will survive. We will get through the winter," one Abkhazian told me. Then upon parting, he shouted: "The important thing is to get these vermin out of our land!"

Of course, by the term "vermin" he was referring to Georgians

"Fascists," "scum," "murderers," "drug users," "marauders"—such terms do not nearly exhaust the list of epithets, some much more crude, conferred by Abkhazians upon the Georgians. Delving further into it, they begin to recall absolutely everything with regard to the

latter—the 43-year domination in Abkhazia of the Georgian party-administrative nomenklatura, the closing of schools with classes in the Abkhaz language, and much, much more.

"It is not we who attacked the Georgians!"—the people I was conversing with said excitedly. "They came here in tanks. If this is their land, why then have they been trying to take everything out? If the local Georgians are correct, why have they run away from here? Why?!"

"Before the war about 200,000 Georgians lived in Abkhazia," stated Otar Kakaliya, employee of the Ministry of Press and Information. "Approximately 150,000 have fled to Georgia. Over 80 percent of them not only have assisted the Georgian forces of occupation, they have fought on their side as well. We have lists. We know these people by name. They fled, fearing retribution. And they dare not return. Georgia's statements concerning refugees constitute propaganda, one more in a series of political tricks. We are aware of many examples in which Georgians who did not fight against us try to return, but their own people will not allow it."

At the same time, many Abkhazians have resettled in Georgian homes and do not intend to leave. Approximately one out of every three cars on local roads has no registration number. So its ownership must have changed not too long ago. The Abkhazians themselves look upon this calmly, referring affectionately to their "iron racers" as...the spoils of war.

#### **Independence**

War inevitably brings man to the breaking point. The old, accustomed, stable concepts regarding good and evil are destroyed. Man changes and begins to live according to principles horrible in their simplicity: Kill the vermin! The first to die will be he who shoots second! He is right who holds an automatic weapon in his hands! And so forth, and so forth. Then suddenly...the war ends. But man flies onward by inertia, gripping the weapon in his hands. And he can only stop when a goal emerges.

The Abkhazians have such a goal—an independent state.

Independence is that axis around which the entire present existence of Abkhazians revolves. One can hear words of independence on the streets and in the corridors of governmental buildings.

Everyone understands full well, however, that it is simply unrealistic to be independent today, especially for such a small state as Abkhazia. A course has been charted toward Russia.

"We see Abkhazia," states Konstantin Ozgan, chairman of the Economics Committee of the republic Supreme Soviet, "as a free state in the framework of a unified economic space with Russia. I can state quite authoritatively that the interests of Russian property owners and entrepreneurs will be preserved."

Over the entire period that I was in Sukhumi, not once did I have occasion to come into contact with anti-Russian sentiment. Yes, there is a blockade. Russia crossed the border. Air communications are entirely paralyzed. Freight and passenger trains have come to a halt. Communications and transportation exist thanks only to the roads. But Abkhazians do not associate the blockade with all Russians or with Russia in general.

"We understand—there is politics here," people say, throwing up their hands. "But why it is just so—is entirely unclear to us."

"The saddest thing about the blockade is that Russians are suffering from it more than anyone else," states Otar Kakaliya. "Our Russians are located in the cities, and they have no links to the villages. Right now we are surviving exclusively thanks to assistance provided by relatives in the villages. So decide for yourself whom Russia's action hurts more."

In Otar's words, about 80,000 Russians lived in Abkhazia before the outbreak of the war. It would be difficult to say how many fled during the war and how many stayed. But one can assume with full confidence that, as is the case in other zones of conflict, the overwhelming majority of Russians have been detained in their locations.

Wars in the territory of the CIS states are clearly interethnic in their nature. This imparts to them an even greater degree of ruthlessness and ferocity. And Russians comprise the majority of the victims in all these confrontations. They find themselves between two lines of fire, as a rule. Groups in conflict try to use weapons to clarify which has the greatest claim to the land in question. Both sides base their arguments on historical facts. They dispute issues. Only the Russians are silent, because for both sides they are newcomers, and consequently—aliens.

But Russia is too huge a state to pay attention to a few hundred thousand pitiful Russians in a zone of conflict somewhere. Russia has always required large scale in everything. Even in tragedy.

The Congress of the Abkhazo-Abazin (Abaz) people (my trip there took place precisely then) was by its nature in direct opposition to Russia's attitude toward its own countrymen, be they in the "near" or "far" abroad.

Abkhazians and Abazins are considered a single people. The fact of their small number, and the war as well, has compelled people in diverse corners of the world to feel responsible for everything taking place in their native land.

"Today there are from 600,000 to 700,000 Abaz in the world. There are about 200,000 in the territory of the former Union," stated Taras Shamba, doctor of law and president of the executive committee of the World Congress. "It is the war that has rallied us. The Abaz people have joined to form cultural centers in various

cities of Russia that apply every effort to help Abkhazia. Similar processes have taken place in Germany, America, Turkey, Syria, Jordan, and many other countries where the Abaz live, referred to there as Cherkess.

Later Guram Amkuab, director of the congress press center, explained: "Some 260 delegates have gathered together here from the countries of Europe, the Near East, Russia, and the CIS. They are chiefly the heads of cultural centers of our diaspora abroad. Yes, we are talking about resettling the Abaz back to their historic Motherland. But we do not nurture any illusions concerning a general resettlement. I doubt that people will throw away forever their business and comfortable life. But, of course, they can come to the land of their ancestors."

#### Peacemakers

War conducted in CIS territory ends, as a rule, in the introduction of Russian troop units or their active intervention in the conflict. This usually satisfies both of the sides in conflict. They can regroup, replenish their forces, lick their wounds. And then they usually accuse the Russians of all their misfortunes, of hegemonism, of imperial designs, and attribute their failures entirely to them. But this happens later—when the time is appropriate.

Russian peacemakers finally appeared in Abkhazia too, along with Georgia. Two airborne battalions from the one side, along the Inguri River, and two motorized rifle battalions from the other.

Today a great deal is being said about this action in the mass media as a major breakdown of Russian diplomacy in the Caucasus. We like to exaggerate. Especially politicians.

Russian peacemakers! In one motorized rifle battalion over half the soldiers are citizens of Armenia, and in the other—citizens of Georgia. But they are serving in Russian battalions. And these battalions are in the territory of Georgia. The most interesting thing is that the generals who from time to time fly into Sukhumi from Moscow know absolutely nothing about this situation, and when they hear about it are quite astonished.

Here they were seemingly amazed upon finding out that of all the officers in the headquarters of the peacemaking forces, only two had volunteered to go to Abkhazia. The others were sent there either through deceit or through inflexible iron military orders. And all this despite the fact that a Russian officer can be sent on temporary duty to a "hot spot" only with his consent. But when were the officers asked about this?

So here they eat the foulest barley and canned fish. While everybody waits to see how things will turn out. But things are turning out just like the food: The peacemakers have already been drawn into Kodorskoye Gorge. Today two airborne platoons are deployed there. But, just wait until tomorrow, when the Abkhazians

begin fighting with the Svans—there will be more of them. And once again Russian soldiers will find themselves between two lines of fire. And once again they will perish...

#### Tourism

This is the main thing Abkhazians are relying on. The people I spoke with groaned and rolled their eyes as they recalled the old preperestroyka days when the beaches were so crowded, you could not get anyone else in. Today a meteorite could fall there, and I assure you—there would be no human casualties.

One of the congress sessions took place in Pitsunda, in the "Boxen Grove" boarding house, built for members of the USSR KGB. Well, it never was used for its intended purpose. New times thundered in, and then the USSR itself ceased to exist. So just imagine—here you have a pretty new, nicely decorated high rise not far from the sea, with bars, snack bars, restaurants, swimming pools. And it is entirely...empty. There is the staff, but no visitors.

"How much for a room?"—I asked the girls at the registration desk.

They looked around, perplexed, then said with uncertainty:

"We do not really know. Probably 30-35 thousand a day. But that is with three meals a day, they added, as if justifying the cost.

"Well then, can I just quietly get a room?"

"Of course!!!"—the girls immediately shouted in response. "Of course!!! And bring your friends along!"

The most decrepit hotel in Sochi right now costs an order of magnitude more than this. Without meals, of course. Unless you consider the highly probable few grams of lead that may come each night from a passing bandit.

"We are all in favor of people coming here for recreation," stated Gennadiy Ayba, chairman of the State Committee for Resorts and Tourism. "Talk to the effect that we have seized all the rest homes and boarding houses and do not intend to give them to anyone—is entirely unjustified. On the contrary, we are trying to find the former proprietors of departmental rest and relaxation facilities, to offer them forms of mutually advantageous cooperation. And we have no intention of renaming anything. We want business to come to us from Russia as quickly as possible. The tourism industry was suitably set up here, and we do not intend to destroy it. We are restoring what we can. Pitsunda is already ready to receive people. I understand full well that if someone arrives here today and is satisfied with his relaxation in Abkhazia, the next year he will bring back a good dozen of his friends and acquaintances.

It is a wild, phantasmagoric picture—deserted Black Sea coastline, homes burned out and destroyed, empty Sukhumi. Tragedy is always like that, but you feel it far more acutely in beautiful Abkhazia.

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